

# **MAR GREGORIOS COLLEGE OF ARTS & SCIENCE**

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## **DEPARTMENT OF COMMERCE (ACCOUNTING & FINANCE)**

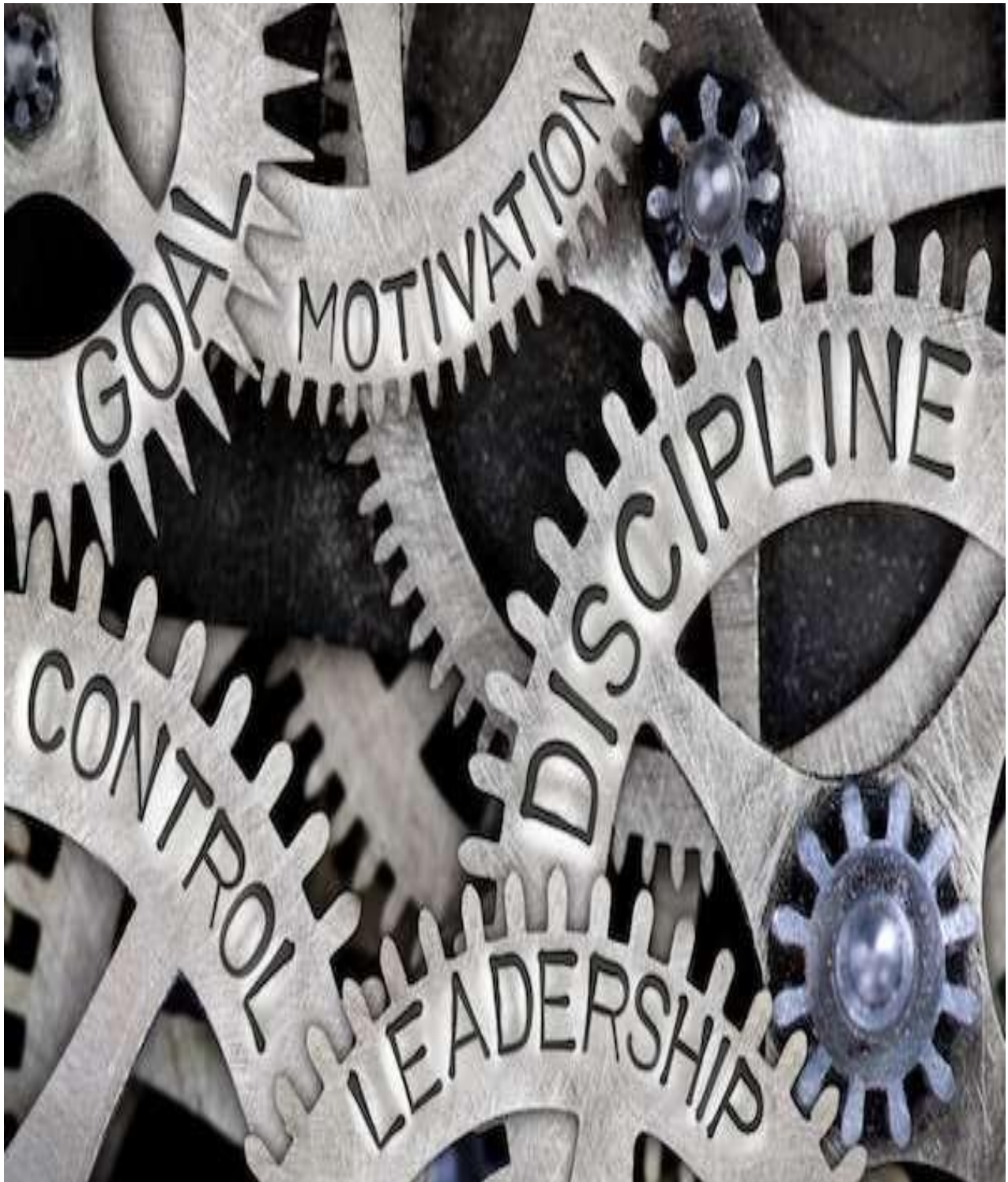
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PRINCIPLES OF MANAGEMENT



# **SYLLABUS**

## **UNIT I INTRODUCTION**

**Definition – Importance – Nature and Scope of Management – Process of Management – Role and functions of managers – Levels of Management Scientific Management. Contributions to Management by different Schools of thought.**

## **UNIT II PLANNING**

**Nature – Importance – Types of Planning – Steps in planning – Objectives of Planning – Policies – Decision making Process – Types of Decisions. HRM – Meaning – Nature and Scope of HRM.**

## **UNIT III ORGANIZATION**

**Meaning and Types of organizations – Principles – Formal and Informal organization – Organizations Structure – Span of Control – Departmentalisation – Basis – Meaning and Importance of Departmentalisation. Policies – Meaning and Types – Procedures – Forecasting.**

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# UNIT I

## MANAGEMENT

### **Meaning of Management**

Management is a very broad term which can be analysed in different ways. The meaning of management varies depending upon the context in which it is used. A few important meanings of management are stated below.

#### **DEFINITION**

“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”.

**Harold Koontz**

“Management is what a manager does”.

**– Louis Allen.**

- It indicates that irrespective of the level at which a manager may operate, he performs certain functions namely, planning, organizing, directing and controlling.
- Goals to be attained through formulation of policies and plans.
- Organisation structure which provides for division of work and assignment of authority and responsibility to the people at various levels.
- Role of a leader in trying to guide and motivate the action of others according to his plan.
- Lastly, he will have to check and control the works of others in order to ensure that there is no deviation. In case of deviations, he will have to take remedial action.

**This concept of management is simple and it indicates a series of functions that are performed simultaneously or continuously. Another important aspect is that the concept of management is universal, which can be applied to any type of organisation.**

## Criticisms

- of this concept are, that is does not take into consideration the social and human aspects of management but concentrates only on certain functions.
- Secondly, it ignores individual interest and lastly, it looks at management only from the top manager's point of view.

“to forecast and plan, to organize, to command, to coordinate and to control”

– **Henri Fayol.**

This concept of management is in line with the views held by Louis Allen.

“Management is a multipurpose organ that manages a business and manages managers and manages worker and work”

– **Peter F. Drucker.**

In this concept the task of a manager is to accomplish economic results, to make best use of human and material resources and to provide a conducive environment for the work force.

The problem regarding this concept is that the managerial functions are not clear because of the complex nature of this concept.

## Nature and scope of management

Management means different aspects to different authors. Each definition lays emphasis on a particular aspect on management thereby presenting only a partial view of the total concept of management.

Over a period of time managerial techniques to manage a business have undergone a change thus the nature of management can be followed under:

**Multidisciplinary:** Though management has developed as a separate discipline but it draws knowledge and concepts from disciplines such as sociology, psychology,

economics, statistics, operation research etc. Management integrates ideas and concepts from these disciplines and uses them for improving the efficiency of organisation.

**Management is a group activity:** Management is an essential part of a group activity. As no individual can satisfy all his desires himself, he unites with fellow-beings and works in an organised group to achieve what he cannot achieve individually. Wherever, there is an organised group of people working towards common goal, some type of management becomes essential. Management makes the people realize the objective of the group and directs their efforts towards the achievement of these objectives.

**Management is goal-oriented:** Management aims to achieve economic and social objectives. It exists to achieve some definite goals or objectives. Group efforts in management are always directed towards the achievement of some pre-determined goals. Theo Haimann quotes that, “Effective management is always management by objectives.”

**Management is a factor of production:** Management is not an end in itself but a means to achieve the group objectives. Just as land, labour and capital are the factors of production and are essential for the production of goods and services, management is a factor of production that is required to co-ordinate the other factors of production for the accomplishment of pre-determined goals.

**Management is universal in character:** Management is applicable in all types of organisations. Wherever there is human activity, there is a management. The basic principles of management are of universal application and can be applied in all organisations whether they are business, social, religious, cultural, sports, educational, politics or military.

**Management is a social process:** Management consists of getting things done through others. This involves dealings with people. The efforts of the human beings have to be directed, co-ordinated and regulated by management in order to achieve the desired results.

**Management is a system of authority:** Since management is a process of directing men

to perform a task, authority to accomplish the work from others is implied in the very concept of management. Authority is the power to get the work done from others and to compel them to work in a certain manner.

**Management is a dynamic function:** Management is a dynamic function and it has to be performed continuously. It is concerned not only with moulding of the enterprise but also the alteration of environment itself so as to ensure the success of the enterprise.

**Management is an art as well as science:** Management is a science because it has developed certain principles which are of universal application. But the results of management depend upon the personal skill of managers and in this sense management is an art. The art of manager is essential to make the best use of management science. Thus, management is both science and art.

**Management is a profession:** In the present days, management is recognised as a profession. It has a systematic and specialized body of knowledge consisting of principles, a technique and laws and can be taught as a separate discipline or subject. This is also divorced ownership from management.

### **Importance of Management**

Management is an essential task in every field of organised activity. It coordinates and integrates the various activities of an organisation in order to accomplish certain specified targets.

**The importance of Management is clearly highlighted in the following points:**

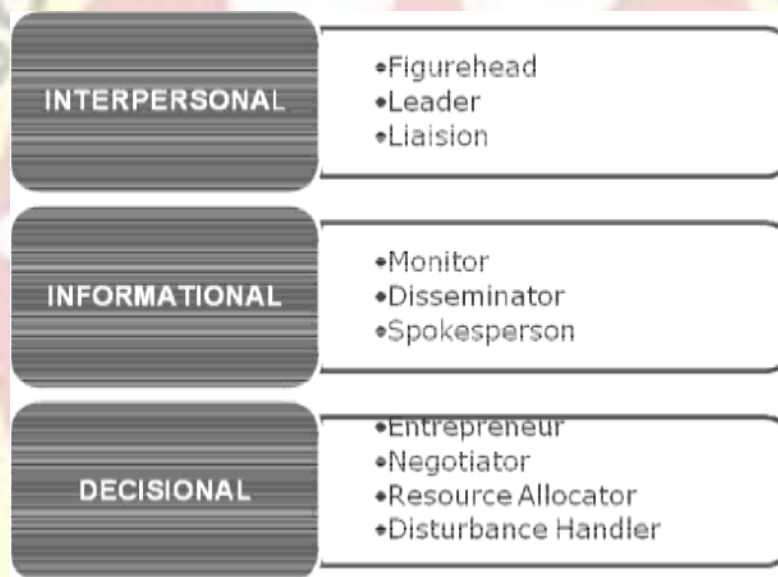
- ❖ Management helps in determination of the objectives of an organisation through sound resource planning. Unless the objectives are identified and well –defined, no organisation can accomplish its goal.
- ❖ It helps to accomplish the goals of an organisation through integration of human and non-human resources.
- ❖ The resources of an organisation can be effectively utilised only when there is a sound management force, because only efficient managers can meet new

challenges.

- ❖ Management is the brain of an enterprise. It is here that decisions are taken and policies are formulated. It provides foresight to the enterprise based on which the future is predicted.
- ❖ Economic and social development takes place through management.

## **ROLE OF A MANAGER**

Henry Mintzberg identified ten different roles, separated into three categories. The categories he defined are as follows



### **a) Interpersonal Roles**

The ones that, like the name suggests, involve people and other ceremonial duties. It can be further classified as follows

- Leader – Responsible for staffing, training, and associated duties.
- Figurehead – The symbolic head of the organization.
- Liaison – Maintains the communication between all contacts and informers that compose the organizational network.



## **b) Informational Roles**

Related to collecting, receiving, and disseminating information.

- Monitor – Personally seek and receive information, to be able to understand the organization.
- Disseminator – Transmits all important information received from outsiders to the members of the organization.
- Spokesperson – On the contrary to the above role, here the manager transmits the organization's plans, policies and actions to outsiders.

## **c) Decisional Roles**

Roles that revolve around making choices.

- Entrepreneur – Seeks opportunities. Basically they search for change, respond to it, and exploit it.
- Negotiator – Represents the organization at major negotiations.
- Resource Allocator – Makes or approves all significant decisions related to the allocation of resources.
- Disturbance Handler – Responsible for corrective action when the organization faces disturbances.

## **LEVELS OF MANAGEMENT**

The three levels of management are as follows



## **The Top Level 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 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 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.

## Functions of Management

Management in order to accomplish the organisation's goal will have to perform certain tasks. We call these tasks, the functions of Management. There is no uniformity regarding the function of Management- different management experts have given their own views regarding the functions of Management. Generally speaking management consists of five important functions namely:

- 1) Planning
- 2) Organising
- 3) Staffing
- 4) Directing
- 5) Controlling.

### Planning:



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- Planning is a very important function of management, it is the most basic or primary function.
- It is a mental process requiring the use of intellectual faculties, foresight,

imagination and sound judgment.

- Three important aspects of planning are forecasting, decision making and problem solving.
- It decides in advance what to do, how, to do, when to do and who is to do it.
- Planning involves systematic thinking about the manner in which specified objectives are to be achieved in future.

## Process of Planning

- Determination of the goal or mission of the organisation.
- Forecasting the future based on past and present activities.
- Selection of best course of action from different alternatives and formulation of plans. Formulation of policies, procedures, budgets etc., to achieve the objectives.
- Determining the actual performance.

## Organising

Once plans have been established, the next stage is that of organising.



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- Organising establishes harmonious relationships among the members of an organisation by providing them with adequate authority and responsibility.
- It clearly specifies the task of each individual and the extent to which he can

carry it out.

**“Organisation involves identification and grouping the activities to be performed and dividing them among the individuals and creating authority and responsibility relationships among them for the accomplishment of organisational objectives”.**

**Louis A. Allen,**

it is clear that organizing determines the tasks to be performed, it groups the task in such a manner that each individual knows the task to be performed by him and thereby creates a structure of authority and responsibility among them to achieve organisaitonal objectives.

A good organisation helps to avoid overlapping and duplication of work.

### **Organisation process**

- Identification and analysis of activities required for the achievement of objectives;
- Grouping of activities according to the requirement of the organisation;
- Assignment of duties to the individuals concerned;
- Delegating authority to the subordinates and thereby fixing responsibility for performance; and
- Establishing proper authority relationship throughout the organisation.

### **Staffing**

Staffing is another important function of Management. The best form of planning and organizing will yield no result without manpower. The function of staffing fills this gap.



- It helps in trying to put the right man in the right job.
- The staffing function involves recruitment, selection, training, development and appraisal of personnel.
- The staffing function has gained importance, with the growing size of an organisation, improvement in technology and recognition of the human factor in industry.

## Directing

***Directing is a key managerial function***



Directing may be defined as a function of management which is related with

instructing, guiding and inspiring the human factor in an organisation to achieve its objectives.

Not only orders and instructions with those activities which deal with guiding, supervising, influencing and motivating the subordinates in their jobs.

Through direction, management initiates action.

It is a function that is carried out throughout the organisation.

**Direction consists of three important sub-functions or elements, namely**

- motivation,
- leadership and
- communication.

Through motivation subordinates are stimulated to work effectively, through leadership they are influenced and guided and through communication they are provided with proper information to vary out their activities to accomplish the results.

## **Controlling**



- Controlling as a function of management deals with checking and



verifying the activities that have been performed against the pre-determined standards.

- Controlling helps to take corrective action if the results do not conform to plans already established.

**Control consists in verifying whether everything occurs in conformity with the plans adopted instructions issued and principles established.**

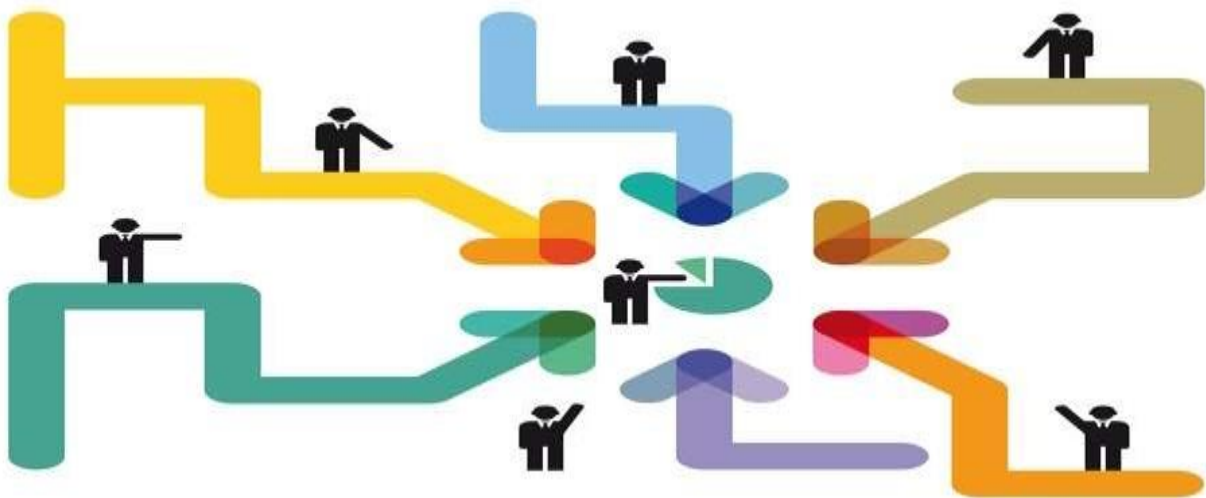
**Henri Fayol**

### **Process of a Controlling:**

- Establishment of standards
- Measurement of actual performance
- Comparison of actual performance against the standards established
- Determining the reasons for deviation
- Taking corrective action
- Feedback in order to determine actual performance

### **Coordination.**

It ensures unity of action. Though some management experts consider coordination as a separate function of management, it is more appropriate to say that coordination is the essence of management.



- It is one word that best suggests the sum total of all managerial functions and that it is not one of its functions.
- Coordination is otherwise termed as the manager's functions.
- Coordination is the orderly arrangement of group effort, to provide unity of action in the pursuit of a common purpose.

### **Administration and Management**

The two terms 'Management' and 'Administration' are used interchangeably. There is a lot of controversy on the usage of these two terms. Many experts have given different views on this subject.

These views have resulted in three different approaches.

#### **1. Administration is above Management:**

- Many management experts like Oliver Sheldon, William Spriegel, Milward, Lansberg, Ordway Tead etc., are of the view that Administration is a higher level activity, though both may be performed by a single individual in an organisation.
- Administration is concerned with decision making and policy formulation, while management is concerned only with the execution of what has been laid down by the administrators.

The actual difference between Administration and Management can be tabulated as follows:

ADMINISTRATION	MANAGEMENT
Administration is a higher level function	Management is a lower level function.
It is concerned with laying down the policies and goals of an organisation	It is concerned with execution of the policies that have been laid down
It refers to the owners of the organisation.	It refers to the employees.
Administration is concerned with decision making	Management is concerned with execution of decision.

Decision making is influenced by social, economic and political factors.	Decision making is restricted to the extent of guiding and directing an organisation to accomplish its objectives
It acts through the management.	It acts through the organisation.

## **2. Administration is part of Management:**

This approach holds that management is a comprehensive term and that administration is a part of it. This view point was propounded by E.F.L. Brech. According to him, “Management is the generic term for the total process of executive control involving responsibility for effective planning and guidance of the operations of an enterprise. Administration is that part of management which is concerned with the installation and carrying out of the procedures by which the programme is laid down and communicated and the progress of activities is regulated and checked against plans”.

Thus Brech conceives administration as part of management. Kimball and Kimball, Richman and Copen also hold similar views. If this view is accepted, it becomes quite contrary to the previous view because administration becomes a subordinate function to overall management, which is concerned with day-to-day executive routine work which is a part of management.

## **3. Administration and Management are the same:**

The third view is a more practical one, where there is no distinction between the two terms ‘management’ and ‘administration’. Management is used for higher level functions like planning, organizing, directing and controlling in a business organisation, whereas, administration is used for the same set of function in government organizations. Many experts like Henri Fayol, 11William Newman, George R.Tery, Louis Allen favoured this view. The distinction between management and administration is only of academic interest, but in real life, such there is no distinction.

In order to overcome these controversies, management can be classified into

- i) Administrative management
- ii) Operative management.

**Administrative management** involves the laying down of policies and objectives of the organisation,

**Operative management** is concerned with implementing these policies to accomplish the goal of the organisation.

At every level of management an individual performs both these types of functions.

At the higher level they spend more time on administrative activities and at lower level they spend more time on executive activities.

### **Management – A Science or an Art**



Management a Science or an Art is a controversial issue with regard to the nature of management. In order to specify the learning process of management, it is necessary to indicate the exact nature of management, as a Science or an Art or both.

The learning process in science differs from that of art.

Learning of art involves its continuous practice whereas learning of science involves the assimilation of principles. Therefore, it is necessary to analyse and see whether management is a Science or an Art.

**Management as a Science:** Science is a systematised body of knowledge gathered by experiment and observation, critically tested and brought under general principles. Scientific principles are universally applicable, they establish cause-effect relationship between different variables and their validity can be verified. They also help in predicting

future events.

**The following characteristics are essential for a subject to be recognised as a science:**

1. Systematized body of knowledge including concepts, theories and principles that are universally applicable
2. Based on scientific enquiry
3. Should establish cause-effect relationship
4. Principles should be verifiable
5. Reliable basis for predicting future results
  - Judging from the characteristics, it can be said that management has systematised body knowledge. However management is an ‘inexact Science’ or “Pseudo science” because it deals with people and predicting their behaviour accurately is a very difficult task.
  - The theories and principles in Management though universal in nature, may produce different results when applied in different situation. That is why management is called a behavioural Science, because its application does not lead to the same results whenever applied. Recently management has come to be recognised as a Science.
  - Earlier experience was the only means to acquire the skills of management, because knowledge of management practice was not systematised.
  - Management experts have now given management the shape of an organised body of knowledge which has its own field of activity and distinct boundaries.
  - It helps in accomplishing certain goals through rational means. Hence, Management is called a Science.

**Management as an Art:** Art involves the achievement of desired results through the practical application of theoretical knowledge and skills. If a Science is learnt, an Art is practiced.

**The following are the features of an Art:**

- Personal skill and practical knowledge
- Creative in nature
- Helps in achieving desired and concrete results and is result oriented in its approach
- Clearly prescribes how an activity can be performed and how it could be improved through constant practice
- Management is an art because of the following facts:
- Management process involves the use of personal skill and practical knowledge. While dealing with people, every manager will have to apply certain skills and knowledge.
- Management is creative. In fact, it is one of the most creative arts, because in changing environment management can achieve desired goals through moulding and welding the activities and behaviour of people.
- Application of certain skills and practical knowledge helps to achieve concrete practical results.

Continuous practice of management helps in the efficient accomplishment of organisational goals.

**Hence, Management is both a Science and an Art. It is a Science because it contains universal truths which form an organised body of knowledge. It is also an Art because it requires certain personal skills which are the possession of the manager, and which when applied achieve desired results.**

## **EVOLUTION OF MANAGEMENT THOUGHTS**

The practice of management is as old as human civilization. The ancient civilizations of Egypt (the great pyramids), Greece (leadership and war tactics of Alexander the great) and Rome displayed the marvelous results of good management practices.

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

overtime, management thinkers have sought ways to organize and classify the voluminous information about management that has been collected and disseminated. These attempts at classification have resulted in the identification of management approaches. The approaches of management are theoretical frameworks for the study of management. Each of the approaches of management are based on somewhat different assumptions about human beings and the organizations for which they work.

The different approaches of management are

- a) Classical approach,
- b) Behavioral approach,
- c) Quantitative approach,
- d) Systems approach,
- e) Contingency approach.

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

### **a) THE CLASSICAL APPROACH:**

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

#### **(i) Scientific Management.**

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

work.

**(ii) Administrative Management.**

Administrative management focuses on the management process and principles of management. In contrast to scientific management, which deals largely with jobs and work at the individual level of analysis, administrative management provides a more general theory of management. Henri Fayol is the major contributor to this approach of management thought.

**(iii) Bureaucratic Management.**

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

**b) THE BEHAVIORAL APPROACH:**

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

**(i) Human Relations.**

The Hawthorne Experiments began in 1924 and continued through the early 1930s. A variety of researchers participated in the studies, including Elton Mayo.



One of the major conclusions of the Hawthorne studies was that workers' attitudes are associated with productivity. Another was that the workplace is a social system and informal group influence could exert a powerful effect on individual behavior. A third was that the style of supervision is an important factor in increasing workers' job satisfaction.

(ii) Behavioral Science.

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

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

**c) THE QUANTITATIVE APPROACH:**

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

(i) Management Science (Operations Research)

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

(ii) Production And Operations Management.

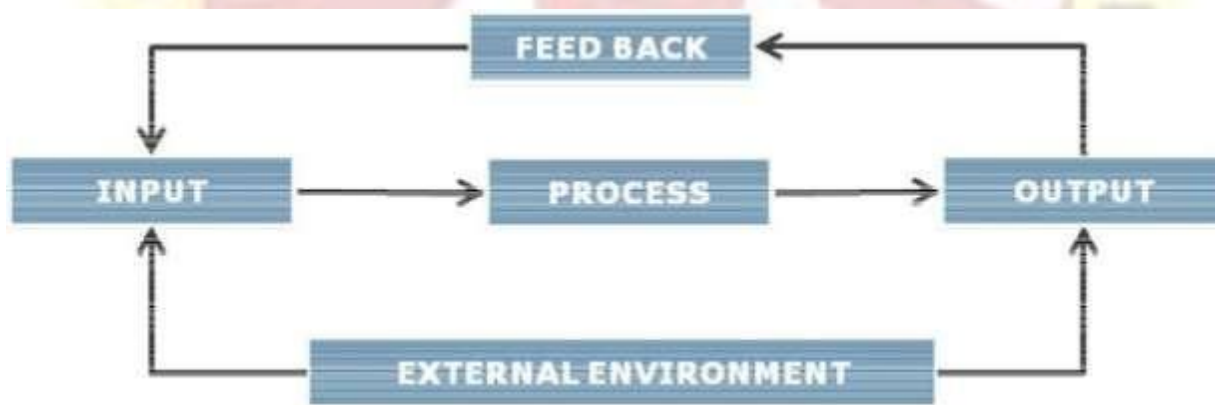
This approach focuses on the operation and control of the production process that transforms resources into finished goods and services. It has its roots in

scientific management but became an identifiable area of management study after World War II. It uses many of the tools of management science.

Operations management emphasizes productivity and quality of both manufacturing and service organizations. W. Edwards Deming exerted a tremendous influence in shaping modern ideas about improving productivity and quality. Major areas of study within operations management include capacity planning, facilities location, facilities layout, materials requirement planning, scheduling, purchasing and inventory control, quality control, computer integrated manufacturing, just-in-time inventory systems, and flexible manufacturing systems.

**d) SYSTEMS APPROACH:**

The simplified block diagram of the systems approach is given below.



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

### e) **CONTINGENCY APPROACH:**

The contingency approach focuses on applying management principles and processes as dictated by the unique characteristics of each situation. It emphasizes that there is no one best way to manage and that it depends on various situational factors, such as the external environment, technology, organizational characteristics, characteristics of the manager, and characteristics of the subordinates. Contingency theorists often implicitly or explicitly criticize the classical approach for its emphasis on the universality of management principles; however, most classical writers recognized the need to consider aspects of the situation when applying management principles.

### **F. W. Taylor's Scientific Management**



Frederick Winslow Taylor, known popularly as the 'Father of Scientific Management' is one of the great contributors of the classical theory of management. He was the first person to insist on introduction of scientific methods in management. His contribution is largely regarding improvement of productivity at shop level. Born in 1856 at Philadelphia, Taylor took his early education at French and German Schools. Later he obtained degree in engineering from Stevens Institute of Technology at New Jersey. Taylor started his career as an apprentice in a small machinery making shop. Afterwards

he became the Chief Engineer in Midvale Steel Company at Philadelphia. He also worked as a consultant engineer in Bethlehem Steel Company. He developed the scientific management theory from his observations and experiments conducted mostly in Midvale and Bethlehem Steel companies. His famous works are Shop Management (1903) and Principles of Scientific Management (1911). The great management thinker Taylor died in 1915.

While working in Midvale Steel Company, Taylor observed that neither management nor workers knew their duties and responsibilities. Workers worked slowly. They used different techniques to do the same job. No effective work standards existed. Workers chose their own work and trained themselves. They were placed on jobs without considering their abilities and attitude. Management depended on intuition and trial and error basis. This affected the output, increased cost and wastages.

Taylor, therefore, decided to correct the situation by applying scientific method to the jobs on the shop floor. He devoted more than two decades for defining 'One Best Way' for a job to be done. His book "Principles of Scientific Management" was accepted all over the world. He did many experiments, introduced new scientific methods. Scientific management means "the use of scientific method to define 'one best way' for a job to be done".

Taylor's philosophy of scientific management is based on the following principles.

- i. **Science, not rule of thumb** : The manager should develop a science for each element of man's work and replace the old rule of thumb method. Decisions should be based on facts and not on intuition.
- ii. **Harmony, not discord** : There should be complete group harmony in the organization. This can be achieved through satisfying the needs of group members and eliminating their dissatisfaction and frustration. Clashes or conflicts should be avoided as far as possible and proper co-ordination should be established among the different groups/departments.

- iii. **Co-operation, not individualism** : For achieving the objectives of organization there should be co-operation between the management and workers. Importance should be given to co-operative efforts and not individual efforts.
- iv. **Maximum, not restricted output** : Instead of giving restricted output, workers should be asked to give maximum output. As output increases the cost per unit will decrease and productivity will improve.
- v. **Development of each man to his greatest efficiency and prosperity** : The workers should be scientifically selected, properly trained and developed to their maximum potential. This will not only increase workers' efficiency but also their wages and prosperity. Prosperity to workers will bring prosperity to the employers.

**Techniques of Scientific Management:** Based on his experience at shop floor Taylor has suggested the following techniques to bring the philosophy of scientific management into practice.

1. **Scientific Study and Planning of Work** : The management should study each element of work scientifically and decide the daily standard output for each worker. For this purpose time and motion study should be conducted.  
Time study will help to determine the standard time required to do a job.  
Motion study will help to remove unnecessary movements of workers in doing the job.  
With the help of this technique the management can give precise idea to the workers on what is to be done and how it can be done efficiently.
2. **Scientific Selection, Placement and Training** : The workers should be selected by using scientific methods and not relying on intuition and judgement of the foreman. They should be placed on the right job by matching job requirements with their capacity and attitude. Further, they should be trained on a regular basis to do the task in the best manner and give maximum output at minimum cost.
3. **Satandardisation** : Taylor alvocated the importance of standardization of tools,

equipments, raw materials, quality of work and physical working conditions.

**4. Separation of Planning From Doing :** Planning function should be separated from doing function to secure the benefits of division of work and specialisation. Planning of work should be the responsibility of management. The management should plan, organize and direct the work where as the workers should implement the plans.

**5. Functional Foremanship :**

- **The Route Clerk:** To lay down the sequence of operations and instruct the workers concerned about it.
- **The Instruction Card Clerk:** To prepare detailed instructions regarding different aspects of work.
- **The Time and Cost Clerk:** To send all information relating to their pay to the workers and to secure proper returns of work from them.
- **The Shop Disciplinarian:** To deal with cases of breach of discipline and absenteeism.
- **The Gang Boss:** To assemble and set up tools and machines and to teach the workers to make all their personal motions in the quickest and best way.
- **The Speed Boss:** To ensure that machines are run at their best speeds and proper tools are used by the workers.
- **The Repair Boss:** To ensure that each worker keeps his machine in good order and maintains cleanliness around him and his machines.
- **The Inspector:** To show to the worker how to do the work.

**6. Wage Incentives :** Taylor suggested to pay workers according to their efficiency. Workers producing more should be given higher wages. He devised differential price rate plan which implies different rates of wages for different levels of efficiency of workers. The efficient worker should get more wages than the average worker. Introduction of wage incentive scheme will reward the efficient worker and punish the inefficient worker.

**7. Mental Revolution :** For getting the desired results of scientific management Taylor emphasised the need of a mental revolution i.e. a fundamental change of outlook on the part of both employer and employees. The workers should change their attitude, outlook and behaviour as to their duties, their work, their fellowmen and their employer. At the same time the management should change its attitude, outlook and behaviour towards the workers and their problems. Instead of having a hostile attitude and engaging in continuous conflict, management and workers should co-operate each other and work for their mutual benefit. They should give up the perception that any gain by one is at the expense of other. Their relationship should be cordial, co-operative and positive. There should be no hostility, distrust and suspicion between them.

**Criticism on Scientific Management :** Taylor's philosophy of scientific management was criticised on the following grounds.

- ❖ Taylor treated worker just as a factor of production. He neglected the social and psychological needs of workers. Thus, he ignored the 'human' element.
- ❖ Taylor concentrated on improving productivity at shop floor. His philosophy is confined to operative personnel only. It is not concerned with the overall organization and improving its effectiveness.
- ❖ Functional foremanship would result into over specialisation and create confusion in the minds of workers.
- ❖ Adoption of principles of scientific management may result in exploitation of workers. Hence, it may be opposed by workers and their union.
- ❖ Scientific management is anti-democratic. It does not seek participation of workers in decision making process.

**Henri Fayol's Principles of Management :**



The credit of developing the administrative theory of management goes mainly to Henri Fayol. Henri Fayol was born in 1841 in France. He studied engineering in France. He worked first as a mining engineer in a large French mining and metallurgical company. Later on he became its Managing Director. Based on his rich administrative experience he wrote a monograph titled as General and Industrial Management, published in UK. It is a short-book containing four parts.

**First part deals with classification of business activities.**

Technical Activities - Manufacturing or Production

Commercial Activities - Buying, selling and exchange

Financial Activities - Raising and optimum use of capital.

Accounts Activities - Recording, costing and statistics

Security Activities - Protection of person and property.

Managerial Activities-Planning, Organizing, Command, Coordination and Contribution.

Fayol devoted most of his book to analysis and explanation of management activities.

**Second part deals with basic functions of management performed by the managers in all types of organization.**

According to Fayol management is a continuous process beginning with planning and ending with controlling. He divided management function into planning, organizing, command, co-ordinating and control.



**Third part deals with 14 principles of management.**

**Fourth part deals with the managerial qualities and skills.**

Fayol's Principles of Management : Henri Fayol was the first thinker to point out basic principles of management. He made a distinction between 'General Principles of Management' and 'Elements of Management'.

According to Fayol these principles have universal application. They are applicable to all types of organization - business, government, military, religious etc. They are fundamental or universal truths and can be taught in schools and universities.

Fayol made it clear that these principles were flexible and capable of adoption to every need. These principles are briefly discussed below :

1. **Division of Work** : It involves dividing the work among various departments and employees according to their abilities and skills. The object of this principle is to obtain the benefit of specialization i.e. produce more and better goods.
2. **Authority and Responsibility** : Authority must be in proportion to responsibility. Authority and responsibility should go together. When managers are given authority, their responsibility should also be decided.
3. **Discipline** : Discipline means obeying and respecting the rules of the organization. Fayol considered discipline as absolutely essential for the smooth running of business. For maintaining discipline there should be good supervisors at all levels, clear and fair agreements with employees and judicious use of penalties.
4. **Unity of Command** : This principle states that every employee should receive orders from one Supervisor only. Dual command leads to confusion and conflict.
5. **Unity of Direction**: According to this principle "there should be one head and one plan" for a group of activities having the same objective.
6. **Subordination of Individual Interests to General Interest** : The interest of any one employee or group of employees should not precede over that of the concern. Individual employees should not give priority to their own interest, rather they should work for the interest of the organization.

7. **Remuneration** : Employees should get fair remuneration for their services. Fair remuneration provides satisfaction to both the employees and the firm.
8. **Centralisation** : This principle refers to the extent to which authority should be centralized or decentralized in an organization. The degree of centralization depends upon individual circumstances. It should be such as to give the best results to the organization.
9. **Scalar Chain** : The line of authority from top management to the lowest management is known as the scalar chain. Orders and feedback follow this chain. It creates superior-subordinate relationship among the employees in the organization. For effective management the scalar chain should be as short as possible.
10. **Order** : For ensuring smooth flow of work and efficient use of physical and human resources, people and materials should be in the right place at the right time. Everything and everyone should be in the right places.
11. **Equality** : This principle states that managers should give equal, fair and kind treatment to their employees.
12. **Stability of tenure of personnel** : Since instability is both the cause and effect of bad running, the management should provide stability of employment to its personnel. This will create a feeling of security among the employees and reduce their tension.
13. **Initiative** : Management should allow the employees to develop and use initiative for 'solving work-related problems'. This will help employees to develop better in the organization.
14. **Espirit Corps** : According to this principle "unity is strength". Managers should, therefore, try to build team spirit and unity among the employees for achieving the organizational goals.

**Fayol's ideas and thoughts received wide acceptance in the business world. His famous book 'General and Industrial Management' is widely acknowledged. Fayol was the first to highlight the equal need of management functions to all types**

of organizations and for proper functioning all organizations should observe the same general principles of management. Management principles have universal application. Some of Fayol's principles have stood the test of time and have been reproduced in almost all standard books on general management and organization theory.

### **Max Weber's Concept of Bureaucracy**



Max Weber, a German Social Scientist and Philosopher made valuable contribution to the general administration theory through his concept of Bureaucracy.

According to Weber there are three types of authority systems as follows.

1. **Charismatic Authority System** : It is based on the extra-ordinary qualities or magnetic personality of the leader, e.g. Henri Ford of Ford Motors. However, this type of authority structure suffers from the problem of instability. It comes to an end with the leader. People may not accept the successor of such person as a leader.
2. **Traditional Authority** : Here a person enjoys authority because of his status derived by inheritance. The extent of authority is decided by the custom. Traditional authority system ignores whether the particular person has necessary leadership qualities and competencies.
3. **Bureaucracy** : According to Weber both the charismatic and traditional authority systems are not suitable to large business organizations because they are person-centered and instable in nature. Hence, Weber has advocated Bureaucracy model based on rationality and legality.

The model bureaucracy suggested Weber has the following characteristics.

1. **Division of Labour** : In bureaucracy jobs are broken into simple routine and well-defined tasks and assigned to various employees on the basis of their abilities, skills and aptitudes.
2. **Hierarchy of authority** : Bureaucracy works on a well-defined hierarchy of authority. Higher officials or offices supervise lower officials or offices and the lower officials/offices have the right of appeal.
3. **Formal selection** : All persons in the organization are selected and placed on the basis of their technical qualifications.
4. **Formal rules and regulations** : The organization functions according to formal rules and regulations. These rules and regulations are in written form and communicated to all employees. Use of formal rules and regulations ensures uniformity in action and helps the management to control the employees.
5. **Impersonality** : There is no place for emotions, sentiments and personal attachment. Rules and regulations supersede the persons in the organization and are applied uniformly avoiding involvement with personalities and personal preferences of employees.
6. **Career orientation** : In bureaucratic organisation the officers are 'professionals' rather than owners of the organization. They derive authority because of the office/post they hold and work for fixed salary. They have the prospects of regular advancement in the organisation. They are appointed on full time basis.
7. **Continuity** : The official business is conducted on continuous basis. The organization enjoys continuity of operations because of rational-legal authority structure.
8. **Separation between official business and personal affairs** : The official business of employees and their personal affairs are treated as two separate things. There is separation between official revenue and personal incomes. Officials do not own the resources required for performing their duties. However, they are accountable for the use of official resources.

9. **Rational-legal Structure** : Weber's bureaucracy model is characterized by rationality and legality. It is rational in the sense that means are expressly allotted for achieving predetermined goals. It is called 'legal' because authority is attached to the office and is exercised impersonally through the system of rules and regulations.

**Criticism on bureaucracy model :**

- Bureaucracy fails to meet the need of job satisfaction and creativity and hence it is not useful in modern times.
- Bureaucracy is overridden by rules and regulations, losing the 'human element'.
- The rules and procedures may be misused by the higher authority to punish the employees.
- Officials give excessive importance to following rules and procedures. They pay less attention to achievement of overall goals.
- According to Peter Drucker, "procedures are wrongly considered as a substitute for judgment".
- Bureaucracy does not consider the existence of informal organization and its role in management.
- The human resources may not be fully utilized due to distrust, fear of reprisals etc. Weber attempted to provide an ideal model for organizations in the days when organisations were run on either traditional authority structure or charismatic authority structure.

**Weber thought that his model bureaucracy will lead to precision, speed, unambiguity, continuity, knowledge of files, reduction of friction and depersonalisation. However, in modern times it is not popular because of its autocratic nature and lack of human face. But many of its components are still found in large organizations.**

**Elton Mayo's Hawthorne Experiments:**



George Elton Mayo (1880-1949) of Australia is one of the main contributors of New-classical approach to **management theory**. Elton Mayo studied logic and philosophy in Adelaide University and medicine in Edinburgh. He worked as a lecturer in Logic, Ethics and Philosophy in Queensland University. He was also researcher for Rockefeller Foundation. Later he served as Associate Professor at Harvard from 1926 to 1929.

Mayo became famous on account of Hawthorne Experiments conducted in Hawthorne plant of the Western Electric Company in Chicago, USA from 1924 to 1932. It is regarded that the human relations movement began with the Hawthorne experiments. Initially in 1924 these experiments were started by the engineers of Western Electric Company to measure the impact of lighting on productivity.

Elton Mayo and his associates were invited to join the experiments in 1927. The experiments continued till 1932. Mayo came to the conclusion that human relations and group norms matter more than physical environment. This changed the traditional thinking of managers.

**Hawthorne experiments were conducted in three stages as follows :**

1. Test Room Studies
2. Interviewing Studies
3. Observational Studies

**Test Room Studies (1924-27) :**

The purpose of this study was to assess the effect of lighting on the output of the

employees. Two groups of employees were selected for this experiment. One group was kept in a room where lighting remained constant. The other group was kept in another room where lighting intensity was changed periodically. The results were unexpected and surprising because production increased in both the groups. It was, therefore, concluded that environmental factors like lighting do not affect productivity. But the engineers conducting this experiment could not explain “other factors” affecting the output.

### **Relay Assembly Test Room Experiment (1927-29) :**

This experiment was conducted to remove the discrepancies in the previous experiment. For this experiment a small group of six female telephone relay 34 assemblers was selected and assigned to work in a separate room. Some new variables such as friendly and informal supervision, shorter working hours, piecework, rest pauses, improved working conditions were introduced and their effect on output was measured. Then all improved physical conditions were withdrawn and output was measured. It was found that output and morale of workers increased and was maintained even after withdrawal of improved physical conditions. It was therefore, concluded that social relationship among workers, participation in decision making etc. had a greater effect on productivity. It was observed that the employees formed a ‘group’ and worked without tension or coercion from the above. They developed informal relations among themselves.

### **Mass Interviewing Programme (1928-30)**

In this experiment 21000 employees were interviewed over a period of three years to find out the reasons for increasing productivity. In the beginning direct questions were asked on the subjects considered important by the interviewers. This resulted in just comments of workers on the questions asked and did not serve the purpose. The method of questioning was then changed and the workers were asked to talk freely on matters important to them. This proved fruitful in understanding the views and problems of workers. The interviewing programme revealed the following things. -- The opportunity given to the worker to talk freely and air his grievance created a positive effect on his

morale. -- Complaints are often symptoms of some deeper dissatisfaction. -- Worker's satisfaction depends on his status in the organization.

### **Observational Studies (1932) :**

The Bank Wiring Observation Room Experiment was the last phase of Hawthorne studies. Its purpose was to investigate the social pattern of a group of fourteen workers and their supervisors. A group of 14 male workers in the Bank Wiring Room was selected for this experiment and was placed under observation for a period of 6 months. A worker's pay depended on the performance of the group as a whole. Researchers expected that efficient worker would put pressure on the less efficient workers to complete the task. However, it was found that the group established its standards of output, used various social pressures for restricting the output and nobody was allowed to exceed the group output norm. It was also found 35 that a member of the group cared more for the opinion of the group than the financial incentives offered by the management.

**Findings of Hawthorne Studies :** The findings of Hawthorne studies underlined the importance of human relations in management. They underlined the importance of human and social factors in industrial relationships.

### **The main findings of Hawthorne studies can be summarized as follows :**

- i. Physical and environmental factors do not materially influence the workers performance and their attitude to work. These factors have little consistent relationship with productivity.
- ii. Worker is not merely an 'economic man' motivated solely by money. His behaviour at work is more influenced by the social and psychological needs.
- iii. Workers respond to their total work situation of which social relations are an important part.
- iv. Hawthorne studies for the first time highlighted the impact of informal groups on the attitude and behaviour of workers. It is the informal relations among the



workers which affect their performance more than the formal relations.

- v. Good communication between supervision and workers can improve the relationships and productivity of workers.
- vi. Employees work better when they are allowed to participate in decision making process affecting their interests.
- vii. The sense of security, recognition, morale and belonging is of crucial importance in increasing the productivity of workers.
- viii. Complaints are often symptoms of more deep-rooted disturbances or dissatisfaction of workers.
- ix. Group norms influence the attitude to work, behaviour with management and level of production. It is the group which decides on its own the daily standard of work and restricts the output. It puts social pressures on workers for not exceeding the group output norm. Hawthorne effect is a phenomenon where respondents change their behaviour and perform better when they know that they are part of an experiment and are being observed.

#### **Criticism on Hawthorne Studies :**

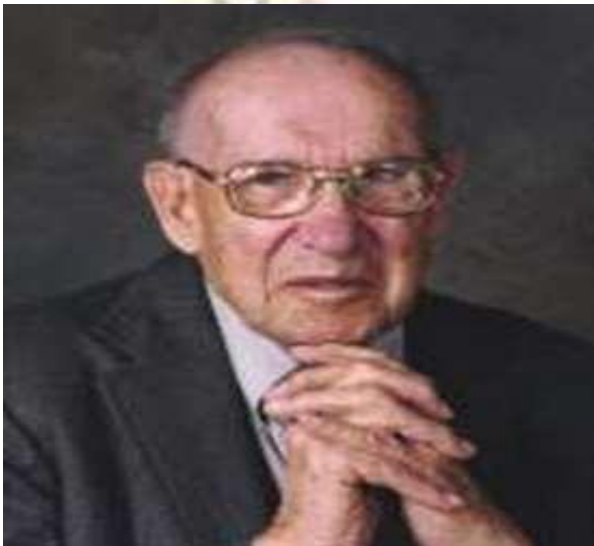
- a) **Lack of Validity :** The Hawthorne experiments were conducted under controlled situations. The workers under observation had an idea about the experiment. Therefore, it is argued that workers might have improved their productivity only for the experiments. Hence, the findings lack validity and they may not work in real settings.
- b) **More importance to human aspects :** It is also said that the Hawthorne experiments gave too much importance to human aspects and neglected the technological and other factors.
- c) **Not a Scientific Enquiry :** No scientific research methodology and techniques were followed in conducting the Hawthorne studies.
- d) **Lack General Application :** Since the findings of Hawthorne studies were based on the experiments on a small group of workers in one industry they may not enjoy

wide and general application in all kinds of work situations.

- e) **Pro-management bias** : Some critics say that the Hawthorne studies had a pro-management bias. It was assumed that management objectives were correct and logical.

**In spite of the above criticism, Hawthorne studies have become a milestone in the development of human relations theory. They stimulated an interest in human factor. They changed the dominant view prevailing in those times that people were no different from machines. They changed the traditional thinking of management from economic man to social man.**

### **MANAGEMENT BY OBJECTIVES**



MBO was first popularized by Peter Drucker in 1954 in his book 'The practice of Management'. It is a process of agreeing within an organization so that management and employees buy into the objectives and understand what they are. It has a precise and written description objectives ahead, timelines for their motoring and achievement.

The employees and manager agree to what the employee will attempt to achieve in a period ahead and the employee will accept and buy into the objectives.

## Definition

“MBO is a process whereby the superior and the managers of an organization jointly identify its common goals, define each individual’s major area of responsibility in terms of results expected of him, and use these measures as guides for operating the unit and assessing the contribution of each of its members.”

## Features of MBO

1. MBO is concerned with goal setting and planning for individual managers and their units.
2. The essence of MBO is a process of joint goal setting between a supervisor and a subordinate.
3. Managers work with their subordinates to establish the performance goals that are consistent with their higher organizational objectives.
4. MBO focuses attention on appropriate goals and plans.
5. MBO facilitates control through the periodic development and subsequent evaluation of individual goals and plans.

## Steps in MBO:



The typical MBO process consists of:

- 1) Establishing a clear and precisely defined statement of objectives for the employee
- 2) Developing an action plan indicating how these objectives are to be achieved
- 3) Reviewing the performance of the employees
- 4) Appraising performance based on objective achievement

### **1) Setting objectives:**

For Management by Objectives (MBO) to be effective, individual managers must understand the specific objectives of their job and how those objectives fit in with the overall company objectives set by the board of directors.

The managers of the various units or sub-units, or sections of an organization should know not only the objectives of their unit but should also actively participate in setting these objectives and make responsibility for them.

Management by Objective (MBO) systems, objectives are written down for each level of the organization, and individuals are given specific aims and targets.

Managers need to identify and set objectives both for themselves, their units, and their organizations.

### **2) Developing action plans**

Actions plans specify the actions needed to address each of the top organizational issues and to reach each of the associated goals, who will complete each action and according to what timeline. An overall, top-level action plan that depicts how each strategic goal will be reached is developed by the top level management. The format of the action plan depends on the objective of the organization.

### **3) Reviewing Progress:**

Performance is measured in terms of results. Job performance is the net effect of an employee's effort as modified by abilities, role perceptions and results produced.

Effort refers to the amount of energy an employee uses in performing a job. Abilities are personal characteristics used in performing a job and usually do not fluctuate widely over short periods of time. Role perception refers to the direction in which employees believe they should channel their efforts on their jobs, and they are defined by the activities and behaviors they believe are necessary.

#### **4) Performance appraisal:**

Performance appraisals communicate to employees how they are performing their jobs, and they establish a plan for improvement. Performance appraisals are extremely important to both employee and employer, as they are often used to provide predictive information related to possible promotion. Appraisals can also provide input for determining both individual and organizational training and development needs. Performance appraisals encourage performance improvement. Feedback on behavior, attitude, skill or knowledge clarifies for employees the job expectations their managers hold for them. In order to be effective, performance appraisals must be supported by documentation and management commitment.

#### **Advantages**

- Motivation – Involving employees in the whole process of goal setting and increasing employee empowerment. This increases employee job satisfaction and commitment.
- Better communication and Coordination – Frequent reviews and interactions between superiors and subordinates helps to maintain harmonious relationships within the organization and also to solve many problems.
- Clarity of goals
- Subordinates have a higher commitment to objectives they set themselves than those imposed on them by another person.
- Managers can ensure that objectives of the subordinates are linked to the

organization's objectives.

### **Limitations**

There are several limitations to the assumptive base underlying the impact of managing by objectives, including:

- It over-emphasizes the setting of goals over the working of a plan as a driver of outcomes.
- It underemphasizes the importance of the environment or context in which the goals are set. That context includes everything from the availability and quality of resources, to relative buy-in by leadership and stake-holders.
- Companies evaluated their employees by comparing them with the "ideal" employee. Trait appraisal only looks at what employees should be, not at what they should do.

When this approach is not properly set, agreed and managed by organizations, self-centered employees might be prone to distort results, falsely representing achievement of targets that were set in a short-term, narrow fashion. In this case, managing by objectives would be counterproductive.

## UNIT II PLANNING

### INTRODUCTION

Planning is the most important and primary function of Management. It precedes all other functions. All other functions of Management will be of no use without setting objectives. Therefore every organisation will have to specify in advance what it wants to achieve. It is this aspect with which planning is basically related. Planning helps in deciding the future course of action. Planning is a unique function of management in the sense that it establishes objectives for the organisation and lays down steps to accomplish them before the manager proceeds to perform other functions.



### DEFINITION

According to Koontz O'Donnel - "Planning is an intellectual process, the conscious determination of courses of action, the basing of decisions on purpose, acts and considered estimates".

George R. Terry, "Planning is the selection and relating of facts and making and using of assumptions regarding the future in the visualisation and

formalization of proposed activities believed necessary to achieve desired results”.

## **Nature of Planning**

1. **Planning is goal-oriented:** Every plan must contribute in some positive way towards the accomplishment of group objectives. Planning has no meaning without being related to goals.
2. **Primacy of Planning:** Planning is the first of the managerial functions. It precedes all other management functions.
3. **Pervasiveness of Planning:** Planning is found at all levels of management. Top management looks after strategic planning. Middle management is in charge of administrative planning. Lower management has to concentrate on operational planning.
4. **Efficiency, Economy and Accuracy:** Efficiency of plan is measured by its contribution to the objectives as economically as possible. Planning also focuses on accurate forecasts.
5. **Co-ordination:** Planning co-ordinates the what, who, how, where and why of planning. Without co-ordination of all activities, we cannot have united efforts.
6. **Limiting Factors:** A planner must recognize the limiting factors (money, manpower etc) and formulate plans in the light of these critical factors.
7. **Flexibility:** The process of planning should be adaptable to changing environmental conditions.
8. **Planning is an intellectual process:** The quality of planning will vary according to the quality of the mind of the manager.

## **Purpose and importance of Planning**

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

1. **To manage by objectives:** All the activities of an organization are designed to achieve certain specified objectives. However, planning makes the objectives more



concrete by focusing attention on them.

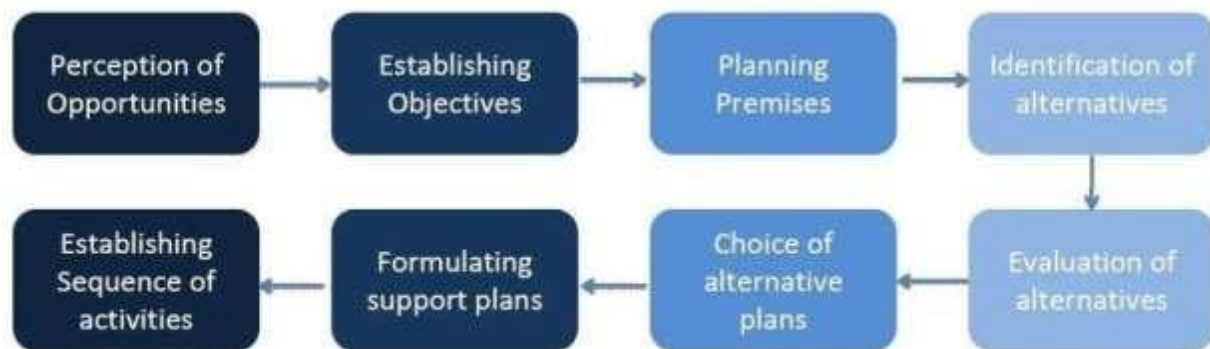
2. **To offset uncertainty and change:** Future is always full of uncertainties and changes. Planning foresees the future and makes the necessary provisions for it.
3. **To secure economy in operation:** Planning involves, the selection of most profitable course of action that would lead to the best result at the minimum costs.
4. **To help in co-ordination:** Co-ordination is, indeed, the essence of management, the planning is the base of it. Without planning it is not possible to co-ordinate the different activities of an organization.
5. **To make control effective:** The controlling function of management relates to the comparison of the planned performance with the actual performance. In the absence of plans, a management will have no standards for controlling other's performance.
6. **To increase organizational effectiveness:** Mere efficiency in the organization is not important; it should also lead to productivity and effectiveness. Planning enables the manager to measure the organizational effectiveness in the context of the stated objectives and take further actions in this direction.
7. **To encourages creativity and innovation in an organisation.** It is a thinking process which stimulates people of new ideas.
8. **It helps in taking future – oriented decisions by predicting future.** Sound planning helps in taking the right decision that is required to accomplishment. It thus acts as a guide for decision making.

### **Features of Planning**

- It is primary function of management.
- It is an intellectual process
- Focuses on determining the objectives
- Involves choice and decision making
- It is a continuous process
- It is a pervasive function

## PLANNING PROCESS

The various steps involved in planning are given below



### Planning Process

#### a) Perception of Opportunities:

Although preceding actual planning and therefore not strictly a part of the planning process, awareness of an opportunity is the real starting point for planning. It includes a preliminary look at possible future opportunities and the ability to see them clearly and completely, knowledge of where we stand in the light of our strengths and weaknesses, an understanding of why we wish to solve uncertainties, and a vision of what we expect to gain. Setting realistic objectives depends on this awareness. Planning requires realistic diagnosis of the opportunity situation.

#### b) Establishing Objectives:

The first step in planning itself is to establish objectives for the entire enterprise and then for each subordinate unit. Objectives specifying the results expected indicate the end points of what is to be done, where the primary emphasis is to be placed, and what is to be accomplished by the network of strategies, policies, procedures, rules, budgets and programs.

Enterprise objectives should give direction to the nature of all major plans which, by reflecting these objectives, define the objectives of major departments. Major department objectives, in turn, control the objectives of subordinate departments, and so on down the line. The objectives of lesser departments will be better framed, however, if subdivision managers understand the overall enterprise objectives and the implied derivative goals and if they are given an opportunity to contribute their ideas to them and to the setting of their own goals.

**c) Considering the Planning Premises:**

Another logical step in planning is to establish, obtain agreement to utilize and disseminate critical planning premises. These are forecast data of a factual nature, applicable basic policies, and existing company plans. Premises, then, are planning assumptions – in other words, the expected environment of plans in operation. This step leads to one of the major principles of planning.

The more individuals charged with planning understand and agree to utilize consistent planning premises, the more coordinated enterprise planning will be.

Planning premises include far more than the usual basic forecasts of population, prices, costs, production, markets, and similar matters.

Because the future environment of plans is so complex, it would not be profitable or realistic to make assumptions about every detail of the future environment of a plan.

Since agreement to utilize a given set of premises is important to coordinate planning, it becomes a major responsibility of managers, starting with those at the top, to make sure that subordinate managers understand the premises upon which they are expected to plan. It is not unusual for chief executives in well- managed companies to force top managers with differing views, through group deliberation, to arrive at a set of major premises that all can accept.

#### **d) Identification of alternatives:**

Once the organizational objectives have been clearly stated and the planning premises have been developed, the manager should list as many available alternatives as possible for reaching those objectives.

The focus of this step is to search for and examine alternative courses of action, especially those not immediately apparent. There is seldom a plan for which reasonable alternatives do not exist, and quite often an alternative that is not obvious proves to be the best.

The more common problem is not finding alternatives, but reducing the number of alternatives so that the most promising may be analyzed. Even with mathematical techniques and the computer, there is a limit to the number of alternatives that may be examined. It is therefore usually necessary for the planner to reduce by preliminary examination the number of alternatives to those promising the most fruitful possibilities or by mathematically eliminating, through the process of approximation, the least promising ones.

#### **e) Evaluation of alternatives**

Having sought out alternative courses and examined their strong and weak points, the following step is to evaluate them by weighing the various factors in the light of premises and goals. One course may appear to be the most profitable but require a large cash outlay and a slow payback; another may be less profitable but involve less risk; still another may better suit the company in long-range objectives.

If the only objective were to examine profits in a certain business immediately, if the future were not uncertain, if cash position and capital availability were not worrisome, and if most factors could be reduced to definite data, this evaluation should be relatively easy. But typical planning is replete with uncertainties, problems of capital shortages, and intangible factors, and so evaluation is usually very difficult, even with relatively simple problems. A company may wish to enter

a new product line primarily for purposes of prestige; the forecast of expected results may show a clear financial loss, but the question is still open as to whether the loss is worth the gain.

#### **f) Choice of alternative plans**

An evaluation of alternatives must include an evaluation of the premises on which the alternatives are based. A manager usually finds that some premises are unreasonable and can therefore be excluded from further consideration. This elimination process helps the manager determine which alternative would best accomplish organizational objectives.

#### **g) Formulating of Supporting Plans**

After decisions are made and plans are set, the final step to give them meaning is to numberize them by converting them to budgets. The overall budgets of an enterprise represent the sum total of income and expenses with resultant profit or surplus and budgets of major balance– sheet items such as cash and capital expenditures. Each department or program of a business or other enterprise can have its own budgets, usually of expenses and capital expenditures, which tie into the overall budget.

If this process is done well, budgets become a means of adding together the various plans and also important standards against which planning progress can be measured.

#### **h) Establishing sequence of activities**

Once plans that furnish the organization with both long-range and short-range direction have been developed, they must be implemented. Obviously, the organization can not directly benefit from planning process until this step is performed.

## Classification of Planning

### On the basis of content

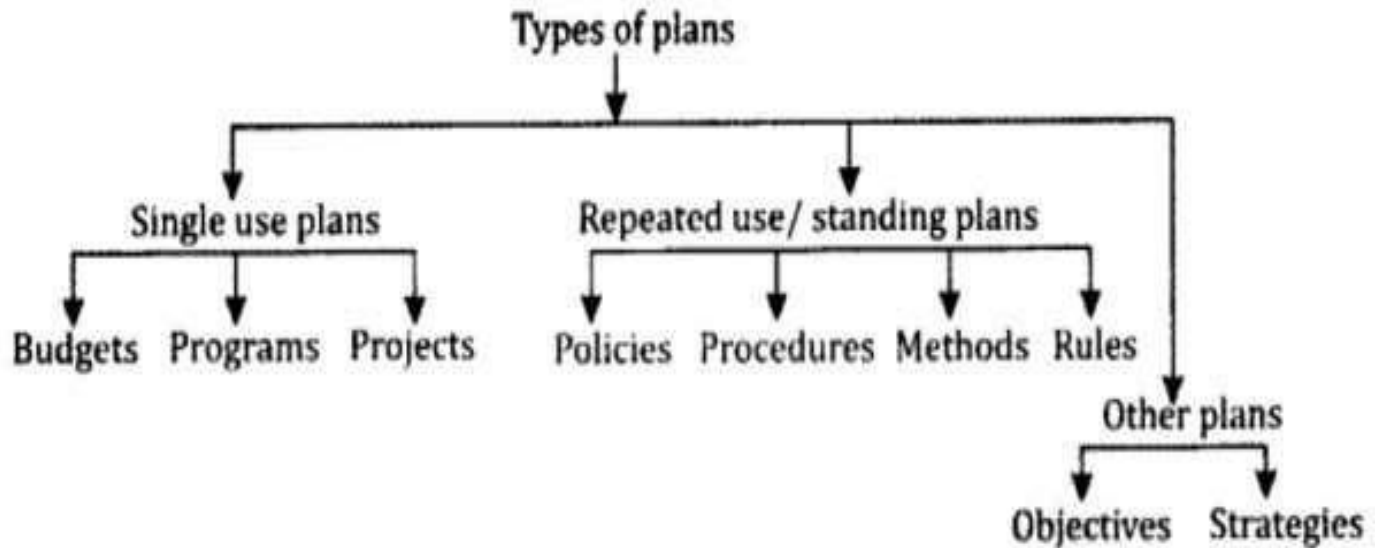
- Strategic Planning
  - It is the process of deciding on Long-term objectives of the organization.
  - It encompasses all the functional areas of business
- Tactical Planning
  - It involves conversion of detailed and specific plans into detailed and specific action plans.
  - It is the blue print for current action and it supports the strategic plans.

### On the basis of time period

- Long term planning
  - Time frame beyond five years.
  - It specifies what the organization wants to become in long run.
  - It involves great deal of uncertainty.
- Intermediate term planning
  - Time frame between two and five years.
  - It is designed to implement long term plans.
- Short term planning
  - Time frame of one year or less.
  - It provide basis for day to day operations.

### Types of Plans

Plans can be broadly classified into two categories depending on their nature and scope, namely: standing or repeated use plans (Multiuse plans) and single use plans



### **I. Standing Plans**

Standing plans are designed by the organisation to serve as guidelines with respect to activities which will occur frequently over a time. They are used again and again. Standing plans help an organisation to achieve its organisational goals. They result in uniformity and unity of action. They provide readymade answers to all problems and help in quick decisions. Standing plans save time and effort.

They include

1. objectives,
2. policies,
3. strategies, procedures and
4. rules.

Each one of these standing or repeated used plan are discussed in detail:-

#### **1. Objectives**

Objectives are the ends towards which the activities of an enterprise are directed or aimed. They serve as a bench mark for measuring the efficiency of an organisation. Objectives are known by different names, like, goals, purposes, missions, aims, targets etc. Planning is carried out to achieve the objectives and they constitute the end point of planning. The different kinds of objectives that an organisation may have are market standing, profitability, productivity, social responsibility etc.

Objectives provide direction to thinking and effort.

**An organisation should have both general and specific objectives.**

General objectives are related to the overall organization, whereas specific objectives are related to the different units and departments of the organisation. Objectives differ in time and some are long term in nature of the organisation. Objectives should be clear, so that every individual knows the extent to which he contributes towards the achievement of these objectives.

### **Merits of Objectives**

- i. Objectives provide targets for managerial action. They serve as guidelines to management and eliminate unwanted action.
- ii. Objectives integrate different activities of an organisation in a meaningful manner. They act as a key to sound planning.
- iii. Objectives provide a basis for effective decentralisation. By providing specific goals they reduce the need for guidance.
- iv. Objectives help in evaluation of performance, they provide standards for control.

### **Limitations of Objectives**

- It is difficult to define non-economic objectives like high morale, better working conditions etc., in quantitative terms.
- Objectives if not properly defined, cannot accomplish desired results due to lack of proper resources.
- When an organisation lays down a number of objectives, there is a possibility of one objective adversely affecting the accomplishment of another objective and this will lead to conflicting objectives which will affect the overall growth of the organisation.

For e.g., if an organisation wants to increase productivity it will want its workers to contribute more by better performance, this would require server checking which may not be conducive to healthy worker – management relationship.



## **2. Policies**

Objectives should not be vague and in general terms. They should be specific and clear. Objectives should focus on results rather than the activity to be performed. They should be laid down in all key result areas of a business like productivity, market standing, profitability etc., Objectives should be integrated with one another and they should form an hierarchy, whereby each one mutually supports the other. Objectives should be realistic and attainable.

Policies are guidelines to thinking and action of those who are involved in the planning process. According to Koontz and O'Donnell "Policies are general statements or understandings which guide or channel thinking in decision-making of subordinates". They provide limits within which the members of an organisation act. They provide immediate answers to all problems faced in the running of an organisation. Policies are means to accomplishment of objectives. They provide the broad outline within which decisions are to be taken. It should be noted that they do not provide any decision as such.

For e.g., if management has laid an objective of promoting its employees from within. It may follow the policy of promotion by seniority. Policies are formed at different levels of the organisation. They allow lower managers to handle situations without going to top level managers for a decision each time.

### **Characteristics of a Good Policy**

**A good policy should consist to the following characteristics:**

- i. Policies should contribute towards accomplishment of objectives. They should
- ii. provide broad outlines within which decisions are to be taken to achieve the objectives.
- iii. Policies should be simple and clear and should not give room for misinterpretation.
- iv. Policies of an organisation should be consistent. An organisation may have a
- v. number of policies dealing with different subjects. It is necessary to ensure that they do not contradict with one another.
- vi. Policies should be adequate and sufficient in number to deal with different fields of activities.
- vii. Policies should be flexible in nature, in order to adjust with the changing situations.
- viii. Policies should be in writing in order to ensure uniformity in application.

### **Kinds of Policies**

**Policies can be classified into the following categories:**

1. **Organisational and Functional Policies:** On the basis of scope, policies can be divided into organisational policies and functional policies. Organisational

policies are designed by top management for the entire organisation (overall policies), whereas, functional or departmental policies are meant for specific functions or departments of an organisation policies are meant for specific functions or departments of an organisation (unit policies).

E.g. Production policy, marketing policy etc. Departmental policies are formed on the basis of organisational policies.

- 2. Originated, Imposed and Appealed Policies:** in terms of origin, policies may be classified as Originated, Imposed and Appealed policies. Originated policies are formulated by management at different levels in order to guide the actions of other members in the organisation. They are also called internal policies. Imposed or external policies are framed by outside agencies namely, the Government, trade association, etc.

Appealed policies on the other hand are formulated on the basis of complaints or suggestions given by employees of the organisation. It might deal with a particular case, not covered by earlier policies.

- 3. Written and Implied Policies:** Written policies are explicit policies which are in writing or in print and they form part of the records of an organisation. Mostly all major policies of an organisation are in writing. Implied policies are unstated policies that are inferred from the behaviour or conduct of members, particularly of top executives.
- 4. General and Specific Policies:** On the basis of area of freedom, policies can be classified into general and specific policies. General policies are broad in nature and give more freedom to the different departments of an organisation. Whereas specific policies are defined intensively to restrict freedom of action and they are to be strictly followed.

### **Factors that Influence Policy Making**

Policies of an organisation are normally formulated by top level management.

While formulating these policies, a number of factors influence them.

They are: -

- The availability of finance with the organisation.
- The ambitions and foresight of the top management.
- The reaction of employees towards formulation of a particular policy.
- The influence of external environment, namely government control and regulation.

- e. The reaction and activities of the competitors.
- f. Public response and attitude towards the policy.

### **Merits of Policies**

- i. Policies are guidelines to thinking and action, which provide managers with
- ii. the framework within which decisions are to be taken.
- iii. Policies provide uniformity of performance and consistency of action
- iv. throughout the enterprise.
- v. Policies ensure promptness of action; they help managers to act confidently
- vi. without the need for guidance from superiors.
- vii. iv. Policies facilitate, effective control, they provide rational means for evaluating
- viii. the results.
- ix. Policies ensure integration and coordination of action in achieving the
- x. organizational goals.
- xi. Policies help to build the confidence of managers, since they provide readymade
- xii. answers to all problems faced by the organisation.

### **Limitations of Policies**

- i. Policies provide no scope for initiative by individuals because they are
- ii. preplanned and bring about rigidity in operation due to its continuous use.
- iii. Policies cannot be treated as substitutes for human judgement. They only
- iv. provide limits with which decisions are taken.
- v. Policies do not provide solutions to all problems because policies formulated
- vi. under a particular situation may not remain the same and moreover to policy
- vii. lasts forever.

## **4. Strategies**

The word “strategy” is derived from the Greek word “Strategia” which means office of the general. It normally refers to the art of military leadership in the planning and execution of large scale army operations. The concept of strategy has been adopted from military science and sports where it aims to outwit the opponent. It has gained importance in modern business because of increasing competition and complexities of operation.

Strategies are framed to accomplish the objectives of an organisation in the context of external force beyond the control of the organisation. It is an overall plan designed to achieve success in the face of difficulties posed by the activities of competitors and other external forces.

For example, if management anticipates the launching of a new product by its competitor, it may decide upon an advertising strategy to educate the customers about the superiority of its products. Thus strategies are primarily concerned with an enterprise's relationship to the competitive situation and external environment inherent therein.

### **Characteristics of a Strategy**

**The concept of strategy reveals the following characteristics of a Strategy:**

- i. Strategy is an overall and contingent plan that is designed to meet problems posed by external environment.
- ii. Strategy provides the means through which physical and human resources are effectively used to accomplish enterprise goals in the face of external pressures.
- iii. Strategies are always situational in nature. Strategic action depends on environment forces.
- iv. Strategies are formed to interpret and give meaning to other plans under specific situations.

### **5. Procedures**

Policies and objectives, however well-framed, cannot produce action by themselves. This is because they do not establish the means through which policies are to be put into effect and objectives are to be accomplished. It is for this purpose that procedures are required. According to George R. Terry, "a procedure is a series of related tasks that make up the chronological sequence and the established way of performing the work to be accomplished".

It clearly specifies the task to be performed, the time at which it will have to be performed it. It gives a time-table for doing a particular activity. Procedures are generally laid down for repetitive work, so that it can be often used when the same activity is performed. Procedures can be adopted for a number of activities in an organisation, namely placement of orders, grievance handling, recruitment of personnel etc.

### **Merits of Procedures**

- a) Procedures ensure consistency and uniformity of action throughout an organisation.
- b) Procedures eliminate unnecessary and unwanted steps and leads to

simplification of work.

- d) Procedures help managers to evaluate the performance of subordinates and thus act as a means of effective control.
- e) Procedures reduce the work of decision makers by providing them with standardised steps.
- f) Procedures facilitate coordination among various units in the organisation.

## 6. Rules

A procedure fixes the standard way of doing a particular activity and a more effective way of doing it may not be given proper attention.

Procedures to be effective must be reviewed and evaluated constantly, because they become obsolete when the nature of business activities change. But rarely do managers update them.

Rules are the most specific and simplest type of repeated – use plans. A rule refers to a managerial decision regarding what should be done and what should not be done in given situation, they are rigid and definite plans. Rules do not provide any scope for decisionmaking, nor do they allow any deviation. Rules regulated behaviour and facilitate effective communication. A rule normally refers to the administrative area of a procedure, however it need not be part of procedure. For e.g., “No smoking” as a rule is not related to any procedure. Violation of a rule leads to penalty and disciplinary action.

## II. Single use Plans

Single use plans are designed to handle non-recurring and novel problems which have limited scope. A single-use plan in order to fit a specific situation lays down a certain course of action. The plan loses its relevance once the course of action is completed. Single use plans are of a shorter duration and relate to specific of the organisation. Single use plans include programmes, budgets and schedules.

**Programme:** A programme is an established scheme of action designed to accomplish a given task. Thus, a programme is a combination of objectives, policies, procedures, budgets, task assignments, resources to be used and other elements necessary to carry out a given course of action. A programme plans for future activities and establishes a sequence of required actions.

Programmes can be prepared for different activities namely, training of workers, new product development etc. a programme may be a major or a minor one.

Programmes ensure uniformity and economy in business activities. They are action based and provide practical guides to managerial actions. Another important aspect of a programme is that they provide greater motivation being result oriented.

**Budgets:** A budget is a plan of expected results expressed in numerical terms for a definite period of time. Since it establishes expected results it is used as a means of managerial control. It provides a base for evaluating actual performance in different fields and for correcting the deviations it any. Budgets express organisaiton objectives in financial and non-financial terms. Budgets are prepared for different activities in an organisation.

## **DECISION MAKING**

The word decision has been derived from the Latin word "decidere" which means "cutting off". Thus, decision involves cutting off of alternatives between those that are desirable and those that are not desirable.

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

**George R. Terry,**

### **Characteristics of Decision Making**

- Decision making implies that there are various alternatives and the most desirable alternative is chosen to solve the problem or to arrive at expected results.
- The decision-maker has freedom to choose an alternative.
- Decision-making may not be completely rational but may be judgemental and emotional.
- Decision-making is goal-oriented.
- Decision-making is a mental or intellectual process because the final decision is made by the decision-maker.
- A decision may be expressed in words or may be implied from behaviour.
- Choosing from among the alternative courses of operation implies uncertainty about the final result of each possible course of operation.
- Decision making is rational. It is taken only after a thorough analysis and reasoning and weighing the consequences of the various alternatives.

## TYPES OF DECISIONS

**a) Programmed and Non-Programmed Decisions:** Herbert Simon has grouped organizational decisions into two categories based on the procedure followed. They are:

- i) **Programmed decisions:** Programmed decisions are routine and repetitive and are made within the framework of organizational policies and rules. These policies and rules are established well in advance to solve recurring problems in the organization. Programmed decisions have short-run impact. They are, generally, taken at the lower level of management.
- ii) **Non-Programmed Decisions:** Non-programmed decisions are decisions taken to meet non-repetitive problems. Non-programmed decisions are relevant for solving unique/ unusual problems in which various alternatives cannot be decided in advance. A common feature of non-programmed decisions is that they are novel and non-recurring and therefore, readymade solutions are not available. Since these decisions are of high importance and have long-term consequences, they are made by top level management.

**b) Strategic and Tactical Decisions:** Organizational decisions may also be classified as strategic or tactical.

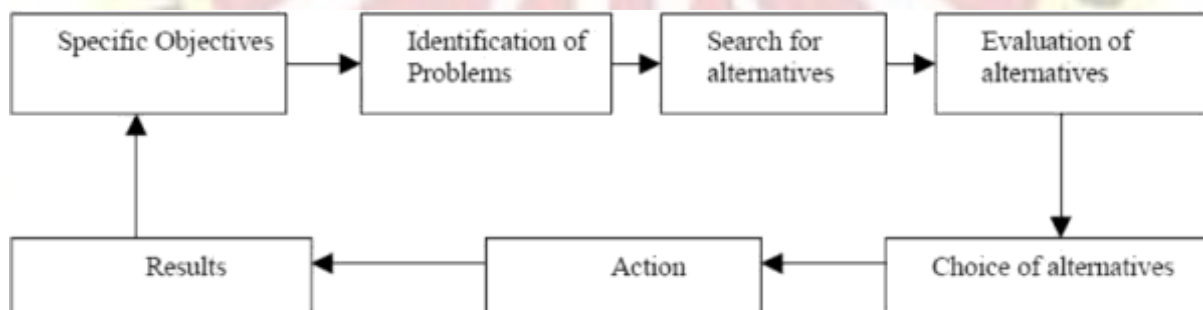
- i) **Strategic Decisions:** Basic decisions or strategic decisions are decisions which are of crucial importance. Strategic decisions a major choice of actions concerning allocation of resources and contribution to the achievement of organizational objectives. Decisions like plant location, product diversification, entering into new markets, selection of channels of distribution, capital expenditure etc are examples of basic or strategic decisions.
- ii) **Tactical Decisions:** Routine decisions or tactical decisions are decisions which are routine and repetitive. They are derived out of

strategic decisions. The various features of a tactical decision are as follows:

- Tactical decision relates to day-to-day operation of the organization and has to be taken very frequently.
- Tactical decision is mostly a programmed one. Therefore, the decision can be made within the context of these variables.
- The outcome of tactical decision is of short-term nature and affects a narrow part of the organization.
- The authority for making tactical decisions can be delegated to lower level managers because: first, the impact of tactical decision is narrow and of short- term nature and Second, by delegating authority for such decisions to lower-level managers, higher level managers are free to devote more time on strategic decisions.

## DECISION MAKING PROCESS

The decision making process is presented in the figure below:



**1. Specific Objective:** The need for decision making arises in order to achieve certain specific objectives. The starting point in any analysis of decision making involves the determination of whether a decision needs to be made.

**2. Problem Identification:** A problem is a felt need, a question which needs a solution. In the words of Joseph L Massie "A good decision is dependent upon the recognition of the right problem". The objective of problem identification is that if



the problem is precisely and specifically identifies, it will provide a clue in finding a possible solution. A problem can be identified clearly, if managers go through diagnosis and analysis of the problem.

**Diagnosis:** Diagnosis is the process of identifying a problem from its signs and symptoms. A symptom is a condition or set of conditions that indicates the existence of a problem. Diagnosing the real problem implies knowing the gap between what is and what ought to be, identifying the reasons for the gap and understanding the problem in relation to higher objectives of the organization.

**3. Search for Alternatives:** A problem can be solved in several ways; however, all the ways cannot be equally satisfying. Therefore, the decision maker must try to find out the various alternatives available in order to get the most satisfactory result of a decision. A decision maker can use several sources for identifying alternatives:

- His own past experiences
- Practices followed by others and
- Using creative techniques.

**4. Evaluation of Alternatives:** After the various alternatives are identified, the next step is to evaluate them and select the one that will meet the choice criteria. /the decision maker must check proposed alternatives against limits, and if an alternative does not meet them, he can discard it. Having narrowed down the alternatives which require serious consideration, the decision maker will go for evaluating how each alternative may contribute towards the objective supposed to be achieved by implementing the decision.

**5. Choice of Alternative:** The evaluation of various alternatives presents a clear picture as to how each one of them contribute to the objectives under question. A comparison is made among the likely outcomes of various alternatives and the best one is chosen.

**6. Action:** Once the alternative is selected, it is put into action. The actual process

of decision making ends with the choice of an alternative through which the objectives can be achieved.

**7. Results:** When the decision is put into action, it brings certain results. These results must correspond with objectives, the starting point of decision process, if good decision has been made and implemented properly. Thus, results provide indication whether decision making and its implementation is proper.

## **HUMAN RESOURCES MANAGEMENT**

### **MEANING**

Human Resource Management is the process of recruitment, selection of employee, providing proper orientation and induction, providing proper training and the developing skills, assessment of employee (performance of appraisal), providing proper compensation and benefits, motivating, maintaining proper relations with labor and with trade unions, maintaining employee's safety, welfare and health by complying with labor laws of concern state or country. Many great scholars had defined human resource management in different ways and with different words, but the core meaning of the human resource management deals with how to manage people or employees in the organization.

### **DEFINITION**

“Planning, organizing, directing, controlling of procurement, development, compensation, integration, maintenance and separation of human resources to the end that individual, organizational and social objectives are achieved.”

**Edwin Flipppo**

## Scope of Human Resource Management

1. Personnel Aspect Human Resource Planning – It is the process by which the organization identifies the number of jobs vacant.
2. Job Analysis and Job Design – Job analysis is the systematic process for gathering, documenting, and analyzing data about the work required for a job. Job analysis is the procedure for identifying those duties or behavior that defines a job.
3. Recruitment and Selection – Recruitment is the process of preparing advertisements on the basis of information collected from job analysis and publishing it in newspaper.
4. Selection is the process of choosing the best candidate among the candidates applied for the job.
5. Orientation and Induction – Making the selected candidate informed about the organization's background, culture, values, and work ethics.
6. Training and Development – Training is provided to both new and existing employees to improve their performance.
7. Performance Appraisal – Performance check is done of every employee by Human Resource Management. Promotions, transfers, incentives, and salary increments are decided on the basis of employee performance appraisal. Compensation
8. Planning and Remuneration – It is the job of Human Resource Management to plan compensation and remunerate. Motivation – Human Resource Management tries to keep employees motivated so that employees put their maximum efforts in work.

Virtually every decision is based on the interaction of a number of important

variables, many of which has e an element of uncertainty but, perhaps, a fairly high degree of probability. Thus, the wisdom of launching a new product might depend on a number of critical variables: the cost of introducing the product, the cost of producing it, the capital investment that will be required, the price that can be set for the product, the size of the potential market, and the share of the total market that it will represent.



## UNIT III

### ORGANIZING

#### DEFINITION

"Organization involves the grouping of activities necessary to accomplish goals and plans, the assignment of these activities to appropriate departments and the provision of authority, delegation and co-ordination."



**Koontz and O'Donnell**

Organization involves division of work among people whose efforts must be co-ordinated to achieve specific objectives and to implement pre-determined strategies.

#### NATURE OR CHARACTERISTICS OF ORGANIZING

From the study of the various definitions given by different management experts we get the following information about the characteristics or nature of organization,

1. **Division of Work:** Division of work is the basis of an organization. In other words, there can be no organization without division of work. Under division of work the entire work of business is divided into many departments. The work of every department is further sub-divided into sub-works. In this way each individual has to do the same work repeatedly which gradually makes that person

an expert.

2. **Coordination:** Under organizing different persons are assigned different works but the aim of all these persons happens to be the same - the attainment of the objectives of the enterprise. Organization ensures that the work of all the persons depends on each other's work even though it happens to be different. The work of one person starts from where the work of another person ends. The non-completion of the work of one person affects the work of everybody. Therefore, everybody completes his work in time and does not hinder the work of others. It is thus, clear that it is in the nature of an organization to establish coordination among different works, departments and posts in the enterprise.
3. **Plurality of Persons:** Organization is a group of many persons who assemble to fulfill a common purpose. A single individual cannot create an organization.
4. **Common Objectives:** There are various parts of an organization with different functions to perform but all move in the direction of achieving a general objective.
5. **Well-defined Authority and Responsibility:** Under organization a chain is established between different posts right from the top to the bottom. It is clearly specified as to what will be the authority and responsibility of every post. In other words, every individual working in the organization is given some authority for the efficient work performance and it is also decided simultaneously as to what will be the responsibility of that individual in case of unsatisfactory work performance.
6. **Organization is a Structure of Relationship:** Relationship between persons working on different posts in the organization is decided. In other words, it is decided as to who will be the superior and who will be the subordinate. Leaving the top level post and the lowest level post everybody is somebody's superior and somebody's subordinate. The person working on the top level post has no superior and the person working on the lowest level post has no subordinate.
7. **Organization is a Machine of Management:** Organization is considered to be a machine of management because the efficiency of all the functions depends on an

effective organization. In the absence of organization no function can be performed in a planned manner. It is appropriate to call organization a machine of management from another point of view. It is that machine in which no part can afford to be ill-fitting or non-functional. In other words, if the division of work is not done properly or posts are not created correctly the whole system of management collapses.

8. **Organization is a Universal Process:** Organization is needed both in business and non-business organizations. Not only this, organization will be needed where two or more than two people work jointly. Therefore, organization has the quality of universality.
9. **Organization is a Dynamic Process:** Organization is related to people and the knowledge and experience of the people undergo a change. The impact of this change affects the various functions of the organizations. Thus, organization is not a process that can be decided for all times to come but it undergoes changes according to the needs. The example in this case can be the creation or abolition of a new post according to the need.

## **IMPORTANCE OR ADVANTAGES OF ORGANIZING**

Organization is an instrument that defines relations among different people which helps them to understand as in who happens to be their superior and who is their subordinate. This information helps in fixing responsibility and developing coordination. In such circumstances the objectives of the organization can be easily achieved. That is why, it is said that Organization Is a mechanism of management. In addition to that it helps in the other functions of management like planning, staffing, leading, controlling, etc. The importance of organization or its merits becomes clear from the following facts,

1. **Increase in Managerial Efficiency:** A good and balanced organization helps the managers to increase their efficiency. Managers, through the medium of

organization, make a proper distribution of the whole work among different people according to their ability.

2. **Proper Utilization of Resources:** Through the medium of organization optimum utilization of all the available human and material resources of an enterprise becomes possible. Work is allotted to every individual according to his ability and capacity and conditions are created to enable him to utilize his ability to the maximum extent. For example, if an employee possesses the knowledge of modern machinery but the modern machinery is not available in the organization, in that case, efforts are made to make available the modern machinery.
3. **Sound Communication Possible:** Communication is essential for taking the right decision at the right time. However, the establishment of a good communication system is possible only through an organization. In an organization the time of communication is decided so that all the useful information reaches the officers concerned which, in turn, helps the decision-making.
4. **Facilitates Coordination:** In order to attain successfully the objectives of the organization, coordination among various activities in the organization is essential. Organization is the only medium which makes coordination possible. Under organization the division of work is made in such a manner as to make all the activities complementary to each other increasing their inter-dependence. Inter-dependence gives rise to the establishment of relations which, in turn, increases coordination.
5. **Increase in Specialization:** Under organization the whole work is divided into different parts. Competent persons are appointed to handle all the sub-works and by handling a particular work repeatedly they become specialists. This enables them to have maximum work performance in the minimum time while the organization gets the benefit of specialization.
6. **Helpful in Expansion:** A good organization helps the enterprise in facing competition. When an enterprise starts making available good quality product at



cheap rates, it increases the demand for its products. In order to meet the increasing demand for its products an organization has to expand its business. On the other hand, a good organization has an element of flexibility which far from impeding the expansion work encourages it.

## **ORGANIZING PROCESS**

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



### **a) Determination of Objectives:**

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

### **b) Enumeration of Objectives:**

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

### **c) Classification of Activities:**

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

#### **d) Assignment of Duties:**

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

#### **e) Delegation of Authority:**

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

### **ORGANIZATION STRUCTURE**

An organization structure is a framework that allots a particular space for a particular department or an individual and shows its relationship to the other. An organization structure shows the authority and responsibility relationships between the various positions in the organization by showing who reports to whom. It is an established pattern of relationship among the components of the organization.

“Organization structure consists simply of those aspects of pattern of behavior in the organization that are relatively stable and change only slowly.”

**March and Simon**

The structure of an organization is generally shown on an organization chart. It shows the authority and responsibility relationships between various positions in the organization while designing the organization structure, due attention should be given to the principles of sound organization.

### **Significance of Organization Structure**

- Properly designed organization can help improve teamwork and productivity by providing a framework within which the people can work together most effectively.
- Organization structure determines the location of decision-making in the organization.
- Sound organization structure stimulates creative thinking and initiative among organizational members by providing well defined patterns of authority.
- A sound organization structure facilitates growth of enterprise by increasing its capacity to handle increased level of authority.
- Organization structure provides the pattern of communication and coordination.
- The organization structure helps a member to know what his role is and how it relates to other roles.

### **PRINCIPLES OF ORGANIZATION STRUCTURE**

Modern organizational structures have evolved from several organizational theories, which have identified certain principles as basic to any organization structure.

#### **a) Line and Staff Relationships:**

Line authority refers to the scalar chain, or to the superior-subordinate linkages, that extend throughout the hierarchy (Koontz, O'Donnell and Weihrich). Line employees are responsible for achieving the basic or strategic objectives of the organization, while staff plays a supporting role to line employees and provides services. The relationship between line and staff is crucial in organizational

structure, design and efficiency. It is also an important aid to information processing and coordination.

**b) Departmentalization:**

Departmentalization is a process of horizontal clustering of different types of functions and activities on any one level of the hierarchy. Departmentalization is conventionally based on purpose, product, process, function, personal things and place.

**c) Span of Control:**

This refers to the number of specialized activities or individuals supervised by one person. Deciding the span of control is important for coordinating different types of activities effectively.

**d) De-centralization and Centralization:**

De-centralization refers to decision making at lower levels in the hierarchy of authority. In contrast, decision making in a centralized type of organizational structure is at higher levels. The degree of centralization and de-centralization depends on the number of levels of hierarchy, degree of coordination, specialization and span of control.

Every organizational structure contains both centralization and de-centralization, but to varying degrees. The extent of this can be determined by identifying how much of the decision making is concentrated at the top and how much is delegated to lower levels. Modern organizational structures show a strong tendency towards de-centralization.

## **FORMAL AND INFORMAL ORGANIZATION**

The formal organization refers to the structure of jobs and positions with clearly defined functions and relationships as prescribed by the top management. This type of organization is built by the management to realize objectives of an enterprise and is bound by rules, systems and procedures. Everybody is assigned a certain responsibility for the performance of the given task and given the required

amount of authority for carrying it out. Informal organization, which does not appear on the organization chart, supplements the formal organization in achieving organizational goals effectively and efficiently. The working of informal groups and leaders is not as simple as it may appear to be. Therefore, it is obligatory for every manager to study thoroughly the working pattern of informal relationships in the organization and to use them for achieving organizational objectives.

## **FORMAL ORGANIZATION**

“a system of consciously coordinated activities or forces of two or more persons. It refers to the structure of well-defined jobs, each bearing a definite measure of authority, responsibility and accountability.”



**Chester I Bernard**

The essence of formal organization is conscious common purpose and comes into being when persons–

- (i) Are able to communicate with each other
- (ii) Are willing to act and
- (iii) Share a purpose.

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

- Division of labor
- Scalar and functional processes

- Structure and
- Span of control

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

### **Characteristic Features of formal organization**

- Formal organization structure is laid down by the top management to achieve organizational goals.
- Formal organization prescribes the relationships amongst the people working in the organization.
- The organization structures is consciously designed to enable the people of the organization to work together for accomplishing the common objectives of the enterprise
- Organization structure concentrates on the jobs to be performed and not the individuals who are to perform jobs.
- In a formal organization, individuals are fitted into jobs and positions and work as per the managerial decisions. Thus, the formal relations in the organization arise from the pattern of responsibilities that are created by the management.
- A formal organization is bound by rules, regulations and procedures.
- In a formal organization, the position, authority, responsibility and accountability of each level are clearly defined.
- Organization structure is based on division of labor and specialization to achieve efficiency in operations.
- A formal organization is deliberately impersonal. The organization does not take into consideration the sentiments of organizational members.
- The authority and responsibility relationships created by the organization structure are to be honored by everyone.
- In a formal organization, coordination proceeds according to the prescribed pattern.

### **Advantages of formal organization**

- A formal organization is bound by rules, regulations and procedures. It thus ensures law and order in the organization.
- The organization structure enables the people of the organization to work together for accomplishing the common objectives of the enterprise

### **Disadvantages or criticisms of formal organization**

- The formal organization does not consider the goals of the individuals. It is designed to achieve the goals of the organization only.
- The formal organization is bound by rigid rules, regulations and procedures. This makes the achievement of goals difficult.

### **INFORMAL ORGANIZATION**

Informal organization refers to the relationship between people in the organization based on personal attitudes, emotions, prejudices, likes, dislikes etc. an informal organization is an organization which is not established by any formal authority, but arises from the personal and social relations of the people. These relations are not developed according to procedures and regulations laid down in the formal organization structure; generally large formal groups give rise to small informal or social groups. These groups may be based on same taste, language, culture or some other factor. These groups are not pre-planned, but they develop automatically within the organization according to its environment.

### **Characteristics features of informal organization**

- Informal organization is not established by any formal authority. It is unplanned and arises spontaneously.
- Informal organizations reflect human relationships. It arises from the personal



and social relations amongst the people working in the organization.

- Formation of informal organizations is a natural process. It is not based on rules, regulations and procedures.
- The inter-relations amongst the people in an informal organization cannot be shown in an organization chart.
- In the case of informal organization, the people cut across formal channels of communications and communicate amongst themselves.
- The membership of informal organizations is voluntary. It arises spontaneously and not by deliberate or conscious efforts.
- Membership of informal groups can be overlapping as a person may be member of a number of informal groups.
- Informal organizations are based on common taste, problem, language, religion, culture, etc. it is influenced by the personal attitudes, emotions, whims, likes and dislikes etc. of the people in the organization.

### **Benefits of Informal organization**

- It blends with the formal organization to make it more effective.
- Many things which cannot be achieved through formal organization can be achieved through informal organization.
- The presence of informal organization in an enterprise makes the managers plan and act more carefully.
- Informal organization acts as a means by which the workers achieve a sense of security and belonging. It provides social satisfaction to group members.
- An informal organization has a powerful influence on productivity and job satisfaction.
- The informal leader lightens the burden of the formal manager and tries to fill in the gaps in the manager's ability.
- Informal organization helps the group members to attain specific personal objectives.

- Informal organization is the best means of employee communication. It is very fast.
- Informal organization gives psychological satisfaction to the members. It acts as a safety valve for the emotional problems and frustrations of the workers of the organization because they get a platform to express their feelings.
- It serves as an agency for social control of human behavior.

### **DIFFERENCES BETWEEN FORMAL AND INFORMAL ORGANIZATION**

<b>Formal Organization</b>	<b>Informal Organization</b>
1. Formal organization is established with the explicit aim of achieving well-defined goals.	1. Informal organization springs on its own. Its goals are ill defined and intangible.
2. Formal organization is bound together by authority relationships among members. A hierarchical structure is created, constituting top management, middle management and supervisory management.	2. Informal organization is characterized by a generalized sort of power relationships. Power in informal organization has bases other than rational legal right.
3. Formal organization recognizes certain tasks which are to be carried out to achieve its goals.	3. Informal organization does not have any well-defined tasks.
4. The roles and relationships of people in formal organization are impersonally defined	4. In informal organization the relationships among people are interpersonal.
5. In formal organization, much emphasis is placed on efficiency, discipline, conformity, consistency and control.	5. Informal organization is characterized by relative freedom, spontaneity, by relative freedom, spontaneity, homeliness and warmth.

6. In formal organization, the social and psychological needs and interests of members of the organization get little attention.	6. In informal organization the sociopsychological needs, interests and aspirations of members get priority.
7. The communication system in formal organization follows certain pre-determined patterns and paths.	7. In informal organization, the communication pattern is haphazard, intricate and natural.
8. Formal organization is relatively slow to respond and adapt to changing situations and realities.	8. Informal organization is dynamic and very vigilant. It is sensitive to its surroundings.

## **LINE AND STAFF AUTHORITY**

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

### **Types of Staff**

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

1. Personal Staff: Here the staff official is attached as a personal assistant or adviser to the line manager. For example, Assistant to managing director.
2. Specialized Staff: Such staff acts as the fountainhead of expertise in specialized areas like R & D, personnel, accounting etc.
3. General Staff: This category of staff consists of a set of experts in different areas who are meant to advise and assist the top management on matters called for expertise. For example, Financial advisor, technical advisor etc.

### **Features of line and staff organization**

- Line officers who have authority and command over the subordinates and are accountable for the tasks entrusted to them. The staff officers are specialists who offer expert advice to the line officers to perform their tasks efficiently.
- Under this system, the staff officers prepare the plans and give advice to the line officers and the line officers execute the plan with the help of workers.
- The line and staff organization is based on the principle of specialization.

### **Advantages**

- It brings expert knowledge to bear upon management and operating problems. Thus, the line managers get the benefit of specialized knowledge of staff specialists at various levels.
- The expert advice and guidance given by the staff officers to the line officers benefit the entire organization.
- As the staff officers look after the detailed analysis of each important managerial activity, it relieves the line managers of the botheration of concentrating on specialized functions.
- Staff specialists help the line managers in taking better decisions by providing expert advice. Therefore, there will be sound managerial decisions under this system.
- It makes possible the principle of undivided responsibility and authority, and

at the same time permits staff specialization. Thus, the organization takes advantage of functional organization while maintaining the unity of command.

- It is based upon planned specialization.
- Line and staff organization has greater flexibility, in the sense that new specialized activities can be added to the line activities without disturbing the line procedure.

### **Disadvantages**

- Unless the duties and responsibilities of the staff members are clearly indicated by charts and manuals, there may be considerable confusion throughout the organization as to the functions and positions of staff members with relation to the line supervisors.
- There is generally a conflict between the line and staff executives. The line managers feel that staff specialists do not always give right type of advice, and staff officials generally complain that their advice is not properly attended to.
- Line managers sometimes may resent the activities of staff members, feeling that prestige and influence of line managers suffer from the presence of the specialists.
- The staff experts may be ineffective because they do not get the authority to implement their recommendations.
- This type of organization requires the appointment of large number of staff officers or experts in addition to the line officers. As a result, this system becomes quite expensive.
- Although expert information and advice are available, they reach the workers through the officers and thus run the risk of misunderstanding and misinterpretation.
- Since staff managers are not accountable for the results, they may not be

performing their duties well.

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

## **SPAN OF CONTROL**

Span of Control means the number of subordinates that can be managed efficiently and effectively by a superior in an organization. It suggests how the relations are designed between a superior and a subordinate in an organization.

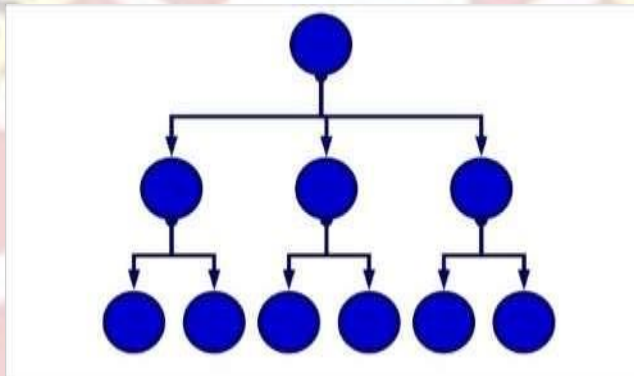
### **Factors Affecting Span of control:**

- a) Capacity of Superior:  
Different ability and capacity of leadership, communication affect management of subordinates.
- b) Capacity of Subordinates:  
Efficient and trained subordinates affects the degree of span of management.
- c) Nature of Work:  
Different types of work require different patterns of management.
- d) Degree of Centralization or Decentralization:  
Degree of centralization or decentralization affects the span of management by affecting the degree of involvement of the superior in decision making.
- e) Degree of Planning:  
Plans which can provide rules, procedures in doing the work higher would be the degree of span of management.
- f) Communication Techniques:  
Pattern of communication, its means, and media affect the time requirement in managing subordinates and consequently span of management.
- g) Use of Staff Assistance:  
Use of Staff assistance in reducing the work load of managers enables them to manage more number of subordinates.
- h) Supervision of others:

If subordinate receives supervision form several other personnel besides his direct supervisor. In such a case, the work load of direct superior is reduced and he can supervise more number of persons.

### **Span of control is of two types:**

- 1. Narrow span of control:** Narrow Span of control means a single manager or supervisor oversees few subordinates. This gives rise to a tall organizational structure.



#### **Advantages:**

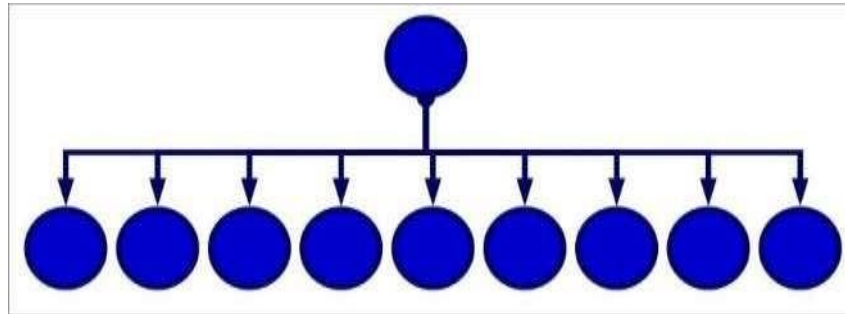
- Close supervision
- Close control of subordinates
- Fast communication

#### **Disadvantages:**

- Too much control
- Many levels of management
- High costs
- Excessive distance between lowest level and highest level

- 2. Wide span of control:** Wide span of control means a single manager or supervisor oversees a large number of subordinates. This gives rise to a flat organizational

structure.



**Advantages:**

- More Delegation of Authority
- Development of Managers
- Clear policies

**Disadvantages:**

- Overloaded supervisors
- Danger of superiors loss of control
- Requirement of highly trained managerial personnel
- Block in decision making

**DEPARTMENTATION**

Departmentation refers to the process of grouping activities into departments. Departmentation is the process of grouping of work activities into departments, divisions, and other homogenous units.

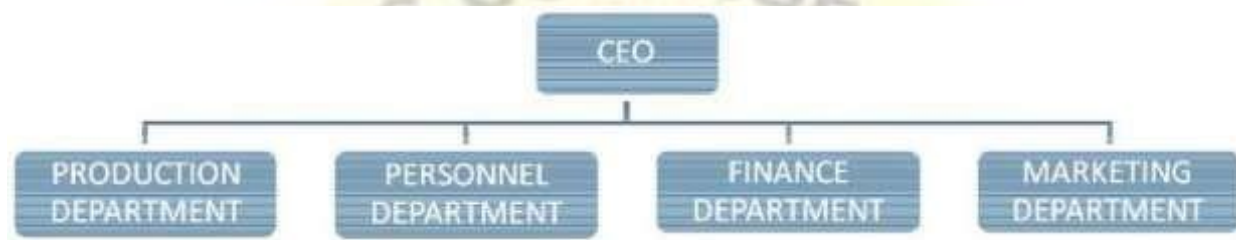
**Key Factors in Departmentation**

- It should facilitate control.
- It should ensure proper coordination.
- It should take into consideration the benefits of specialization.
- It should not result in excess cost.
- It should give due consideration to Human Aspects.



Departmentation takes place in various patterns like departmentation by functions, products, customers, geographic location, process, and its combinations.

### **a) FUNCTIONAL DEPARTMENTATION**



Functional departmentation is the process of grouping activities by functions performed. Activities can be grouped according to function (work being done) to pursue economies of scale by placing employees with shared skills and knowledge into departments for example human resources, finance, production, and marketing. Functional departmentation can be used in all types of organizations.

#### **Advantages:**

- Advantage of specialization
- Easy control over functions
- Pinpointing training needs of manager
- It is very simple process of grouping activities.

#### **Disadvantages:**

- Lack of responsibility for the end result
- Overspecialization or lack of general management
- It leads to increase conflicts and coordination problems among departments.

## b) PRODUCT DEPARTMENTATION



Product departmentation is the process of grouping activities by product line. Tasks can also be grouped according to a specific product or service, thus placing all activities related to the product or the service under one manager. Each major product area in the corporation is under the authority of a senior manager who is specialist in, and is responsible for, everything related to the product line. Dabur India Limited is the India's largest Ayurvedic medicine manufacturer is an example of company that uses product departmentation. Its structure is based on its varied product lines which include Home care, Health care, Personal care and Foods.

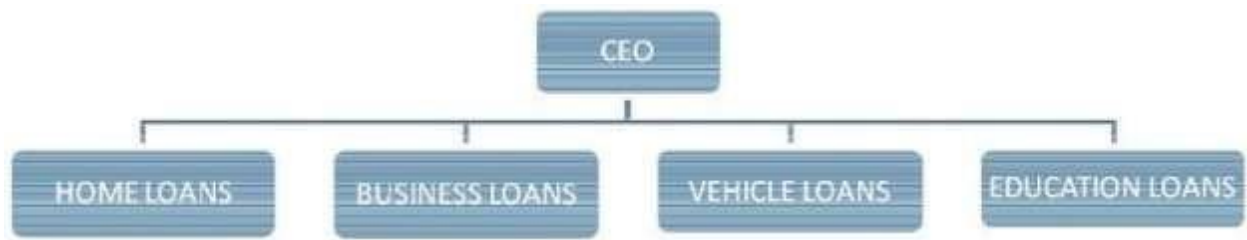
### **Advantages**

- It ensures better customer service
- Unprofitable products may be easily determined
- It assists in development of all around managerial talent
- Makes control effective
- It is flexible and new product line can be added easily.

### **Disadvantages**

- It is expensive as duplication of service functions occurs in various product divisions
- Customers and dealers have to deal with different persons for complaint and information of different products.

### c) CUSTOMER DEPARTMENTATION



Customer departmentation is the process of grouping activities on the basis of common customers or types of customers. Jobs may be grouped according to the type of customer served by the organization. The assumption is that customers in each department have a common set of problems and needs that can best be met by specialists. UCO is the one of the largest commercial banks of India is an example of company that uses customer departmentation. Its structure is based on various services which includes Home loans, Business loans, Vehicle loans and Educational loans.

#### **Advantages**

- It focused on customers who are ultimate suppliers of money
- Better service to customer having different needs and tastes
- Development in general managerial skills

#### **Disadvantages**

- exclusive field of its application, co-ordination may appear difficult between sales function and other enterprise functions.
- Specialized sales staff may become idle with the downward movement of sales to any specified group of customers.

## d) GEOGRAPHIC DEPARTMENTATION



Geographic departmentation is the process of grouping activities on the basis of territory. If an organization's customers are geographically dispersed, it can group jobs based on geography. For example, the organization structure of Coca-Cola Ltd has reflected the company's operation in various geographic areas such as Central North American group, Western North American group, Eastern North American group and European group

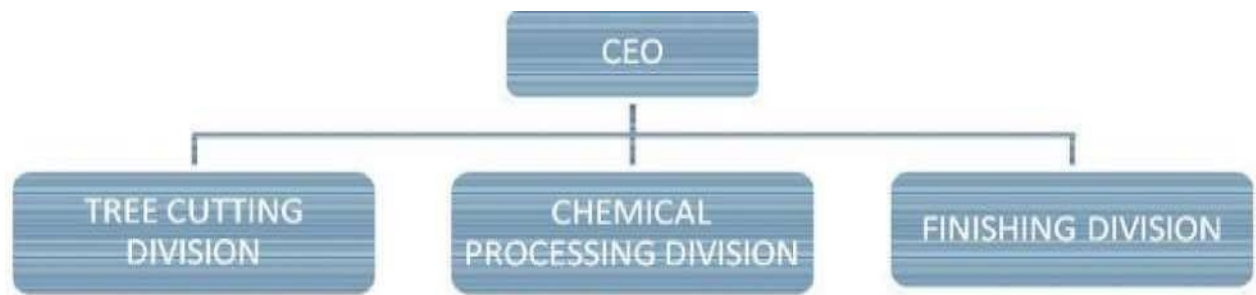
### Advantages

- Help to cater to the needs of local people more satisfactorily.
- It facilitates effective control
- Assists in development of all-round managerial skills

### Disadvantages

- Communication problem between head office and regional office due to lack of means of communication at some location
- Coordination between various divisions may become difficult.
- Distance between policy framers and executors
- It leads to duplication of activities which may cost higher.

## e) PROCESS DEPARTMENTATION



Geographic departmentation is the process of grouping activities on the basis of product or service or customer flow. Because each process requires different skills, process departmentation allows homogenous activities to be categorized. For example, Bowater Thunder Bay, a Canadian company that harvests trees and processes wood into newsprint and pulp. Bowater has three divisions namely tree cutting, chemical processing, and finishing (which makes newsprint).

### Departmentation by process: -

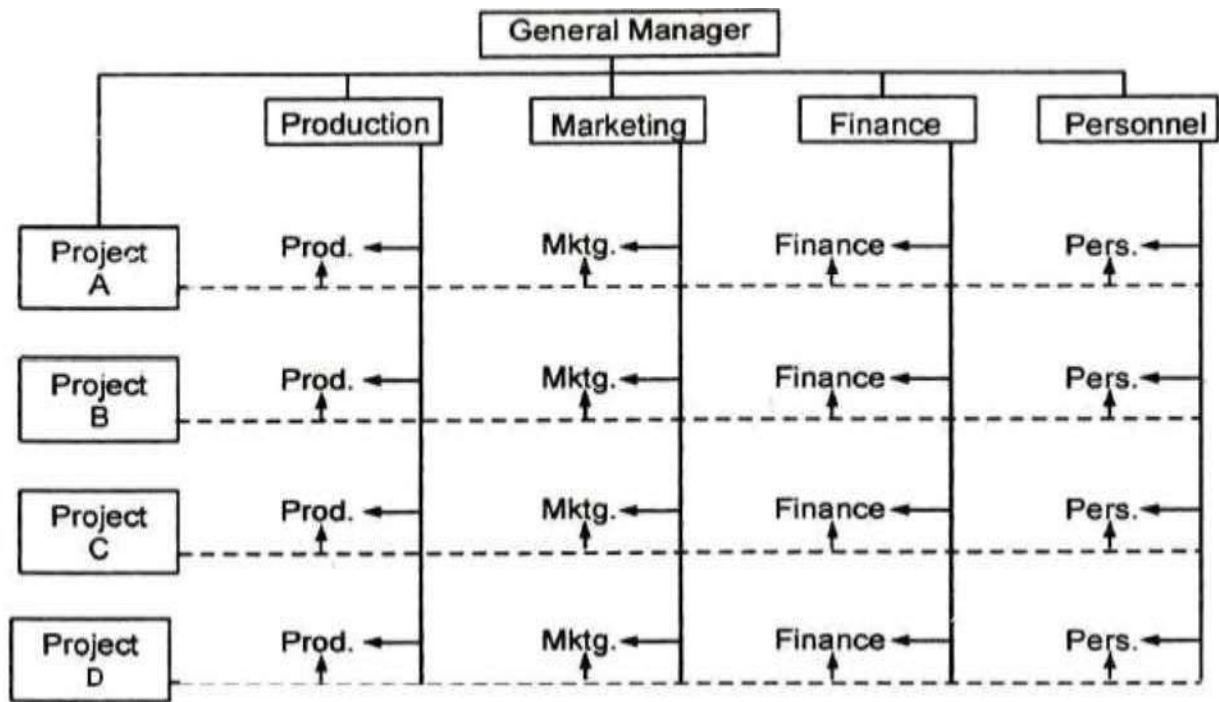
#### Advantages

- Oriented towards end result.
- Professional identification is maintained.
- Pinpoints product-profit responsibility.

#### Disadvantage

- Conflict in organization authority exists.
- Possibility of disunity of command.
- Requires managers effective in human relation

## f) MARTIX DEPARTMENTATION



In actual practice, no single pattern of grouping activities is applied in the organization structure with all its levels. Different bases are used in different segments of the enterprise. Composite or hybrid method forms the common basis for classifying activities rather than one particular method. One of the mixed forms of organization is referred to as matrix or grid organization's. According to the situations, the patterns of Organizing varies from case to case. The form of structure must reflect the tasks, goals and technology if the originations the type of people employed and the environmental conditions that it faces. It is not unusual to see firms that utilize the function and project organization combination. The same is true for process and project as well as other combinations. For instance, a large hospital could have an accounting department, surgery department, marketing department, and a satellite center project team that make up its organizational structure.

## **Advantages**

- Efficiently manage large, complex tasks
- Effectively carry out large, complex tasks

## **Disadvantages**

- Requires high levels of coordination
- Conflict between bosses
- Requires high levels of management skills



## UNIT IV

### AUTHORITY AND RESPONSIBILITY

#### MEANING

Authority varies, because of the different sources through which one acquires authority in the organisation. It may arise because of the official position that a person enjoys in the organisation, or because of his personal competence, or by virtue of the nature of his subordinates. Generally, authority refers to positional authority.

“Authority is the right to give orders and the power to exact obedience”.

**Henri Fayol**

“Authority may be defined as the power to make decisions which guide the action of another. It is a relationship between two individuals, line superior, and the other subordinate. The superior frames and transmits decisions with the expectation that these will be accepted by subordinates. The subordinates executes such decisions and his conduct is determined by them”.



**Herbert A. Simon**



## Features of Authority

The following are the features of authority:

- Authority is legitimised by certain rules, laws, regulations and practices.
- The extent and scope of authority of a position is limited. It is clearly defined in advance. No individual in an organisation enjoys unlimited authority.
- It refers to the relationship between the superior and subordinate. The superior frames decisions and the subordinate executes them.
- Authority is used to influence the behaviour of the subordinates so that they perform work in a desired manner which helps to accomplish organisational objectives.
- Authority confers the right of decision making on a superior, because he can give orders only when he decides what his subordinates should do.
- Authority is influenced by personality factors of the manager and the group of subordinates with reference to whom it is to be exercised. Therefore, though it is objective in nature, its exercise is influenced by subjective factors.

## Source of Authority

Management experts have different views about the sources of authority. Opinions differ with regard to the flow of authority. Some suggest that authority flows from top to bottom, whereas others point out that authority originates at the bottom and flows upwards as a kind of consent of the subordinate. We can classify these views into three different theories, which help to explain the sources of authority.

**A) Formal Authority Theory:** According to this theory, authority originates at the top of an organisation and flows downward through the process of delegation. The ultimate source of authority in a company lies with the shareholders who are its owners. They in turn through delegation entrust their authority to the Board of Directors and this process is carried out through all levels in an organisation. That is why we call it as formal authority.

A subordinate derives authority from his immediate superior is restricted to the extent to which it has been delegated to him. Such authority is also called as traditional and legitimates authority which is legal and rational. This is also called as top-down authority theory.

**B) Acceptance Theory:** The acceptance authority theory is also called bottom-up authority theory and is quite contrary to the formal theory. According to this theory, authority ultimately depends upon the acceptance or consent of the subordinates. Formal authority has no meaning if it is not accepted by subordinates. The degree of effective authority possessed by a superior is measured by the willingness of subordinates to accept it.

“an individual will accept the exercise of authority if the advantages accruing to him from accepting plus the disadvantages accruing to him from not accepting exceed the advantages accruing to him from not accepting plus the disadvantages accruing to him from accepting; and conversely, he will not accept the exercise of authority if the latter factors exceed the former”.

**Chester I. Barnard**

points out that a subordinate will accept an order if he understands it well, if he believes it to be consistent with the overall objectives and compatible with his personal interests and if he is able both physically and mentally to comply with it.

**Limitations:**

It states that a manager has authority if he gets obedience from the subordinates. But he will not be able to know whether his order will be obeyed, unless the order is carried out.

**C) Competence Authority Theory:** this theory is based on the fact, that a person derives authority because of his personal skill and competence. According to Lyndall F. Urwick formal authority is conferred by the organisation, technical authority is implicit in a special knowledge or skill and personal authority is conferred by popularity or seniority.

Therefore, a person might get his orders or advice accepted because of his personal qualities and not because he is having any formal authority. These qualities may be technical competence and social prestige in the organisation. All these three theories have their own use and authority is generated from all these sources. The formal authority theory deals with the authority that managers should possess, whereas, the acceptance theory and the competence theory are concerned with the role behaviour and the products of leadership.

### **Limits of Authority**

The authority of any position in an organisation is not absolute. It is subject to various social, legal, economic and political factors. The authority of a manager is also restricted by various factors, which are as follows:

1. **Physical Limitations:** Managerial authority is restricted to a great extent by physical laws, climate, geographical factors, etc. Therefore, a manager cannot order workers to make gold from copper.
2. **Biological Limitations:** Any work that a manager cannot do, he cannot ask his subordinates to do. For example, a manager cannot ask his subordinate to type 200 words in a minute.
3. **Social Constraints;** Social constraints also impose a restriction on the exercise of authority by a manager. Thus, the work assigned to employees must conform to the group's fundamental social beliefs, habits and codes of ethics.

4. **Economic Constraints:** Economic conditions and other market forces restrict managerial authority. A Sales Executive cannot ask his salesmen to sell products at a higher price in a highly competitive market situation.
5. **Legal Constraints:** Various rules and regulations of the central and state government also impose restrictions on the exercise of authority by a manager.
  - For example, a managing director cannot ask the other managers of the organisation to refrain from paying taxes.
6. **Organisational or Internal Constraints:** The organisational objectives and policies laid down by the top management also restrict the authority of managers. A manager cannot work against the internal policies and rules of the organisation.

## **RESPONSIBILITY**

. According, **Morris B. Hurley** has defined responsibility as “the duty to which a person is bound by reason of his status or task. Such responsibility implies compliance with directives of the person making the initial delegation”.

According, **Keith Davis** defines responsibility as “an obligation of the individual to perform assigned duties to the best of his ability under the direction of his executive leader”. Even George R. Terry has defined responsibility in the same line. According to him, “responsibility is the obligation of an individual to carry out assigned activities or duties to the best of his ability”.

Therefore, responsibility does not only refer to duty that is assigned to an individual but also includes an obligation to perform it properly. A person having authority cannot by himself perform the entire work, he requires the assistance or help of others and delegates his authority to others, thereby making them responsible to him. Thus, responsibility is the obligation of a subordinate to perform his duty as required by his superior.

## **Features of Responsibility**

The following are the features of responsibility:

1. It arises out of superior subordinate relationship in an organisation.
2. It always flows upwards because it is derived from authority.
3. It is the obligation of a subordinate to perform the assigned duty to the best of his ability.
4. Responsibility cannot be delegated, it is absolute.
5. There should be parity of authority and responsibility.

Responsibility without authority has no meaning and vice versa.

## **Delegation of Authority**

It is not possible for an individual to perform all the activities by himself. It is for this reason that the total work is divided in an organisation among different people. Each individual is given some authority in order to perform his task effectively. Since a manager cannot exercise his authority all by himself, he shares his authority with his subordinates. After assigning duty and granting authority to subordinates, a manager holds them accountable for proper discharge of duty. This part of the organising process is known as delegation of authority. It is essential for the existence of a formal organisation. Delegation refers to the conferring to accomplish particular assignments. Delegation helps a manager to extend his area of operation, for without it, his actions are confined to what he himself can perform.

## **Definition and Characteristics of Delegation**

“Delegation is the dynamic function of management; it is the process a manager follows in dividing the work assigned to him so that he performs that part which only he, because of his unique organisational placement, can perform effectively, and so that he can get others to help him with what remains”. Thus, delegation is the ability of a manager to share his burden with others.

**Louis A. Allen,**

“The entire process of delegation involves the determination of results expected, the assignment of tasks, the delegation of authority for accomplishment of these tasks, and the exaction of responsibility for their accomplishment”.

**Koontz and O'Donnel,**

In simple terms, delegation refers to entrustment of authority to a subordinate. It provides the right to take decisions in certain areas and makes the subordinate responsible for effective accomplishment of the assigned tasks.

**The following are the characteristics of delegation:**

- a) Delegation occurs when a superior grants some discretion to his subordinate. The degree of delegation prescribes the limits within which a subordinate will have to decide things.
- b) A manager delegate authority out of the authority granted to him. He cannot delegate authority which he himself does not possess. Moreover he does not delegate his entire authority because if he does so, he passes his position to the subordinate and he cannot work.
- c) Authority delegated does not refer to reduction in the authority of a superior. He can always reduce, enhance or withdraw the delegated authority.
- d) A manger delegates authority to subordinates for routine decisions and for execution of policies and he retains the authority to exercise control over the subordinate and to take policy decisions.
- e) Authority is always delegated to the position created through the process of organisation. An individual can exercise authority so long as he holds the position.
- f) Delegation may be specific or general, written or implied, formal or informal. It may also be downward, upward or sideward. Normally in an organisation, delegation is downwards.

**Principles of Delegation**

Delegation of authority to be effective must be governed by certain principles. Therefore while delegating authority; a manager should observe the following principles:

**1. Delegation by Results Expected:** This is one of the most important principles of delegation, where a manager should delegate his authority to his subordinates only after he has decided upon the results that are to be achieved by his subordinates. This means that delegation should be given only after the superior has determined his objectives,

policies, plans, and also the specific tasks to be performed for the accomplishment of the objectives. This will help a subordinate to know how his performance is measured.

**2. Functional Definition:** Closely related to the previous principle is the principle of functional definition. According to this principle, a superior should clearly define the functions that are to be performed by his subordinates and should clearly state as to what is expected of whom. He superior will have to precisely define the objectives of the job, the activities involved in it and its relationship with other jobs.

**3. Well Defined Limits of Authority:** The limits of authority of each manager should be well defined, because if he does not know his own authority, he cannot delegate properly. This will avoid overlapping of authority and help a manager to perform his job properly. The limits of authority and the area of operation of each manager can be clearly indicated in the organisation manual to avoid confusion.

**4. Parity of Authority and Responsibility:** There should be proper matching of authority and responsibility, then only delegation will be effective. Authority without responsibility will make a subordinate irresponsible. Likewise, responsibility without authority will make a subordinate ineffective. Therefore there should always be a balance between the two and they should be co-extensive because they both relate to the same assignment.

**5. Absoluteness of Responsibility:** Responsibility cannot be delegated. It is always absolute, because it is an obligation to get the assigned work done. Managers cannot avoid responsibility by delegating their authority to subordinates. His ultimate responsibility for the performance of duties and exercise of delegated authority remains with the manager.

**6. Unity of Command:** Another important principle for effective delegation is unity of command, where every subordinate in the organisation should have only one superior. If a person gets instructions and orders from many superiors, there would be confusion and conflict. In order to overcome this, dual subordination should be avoided. Thus a

subordinate should be assigned duties and delegated authority by only one superior and he should be held accountable only to the same superior.

## Steps Involved in the Delegation Process

The steps involved in delegation are given below



1. **Allocation of duties** – The delegator first tries to define the task and duties to the subordinate. He also has to define the result expected from the subordinates. Clarity of duty as well as result expected has to be the first step in delegation.
2. **Granting of authority** – Subdivision of authority takes place when a superior divides and shares his authority with the subordinate. It is for this reason; every subordinate should be given enough independence to carry the task given to him by his superiors. The managers at all levels delegate authority and power which is attached to their job positions. The subdivision of powers is very important to get effective results.
3. **Assigning of Responsibility and Accountability** – The delegation process does not end once powers are granted to the subordinates. They at the same



time have to be obligatory towards the duties assigned to them. Responsibility is said to be the factor or obligation of an individual to carry out his duties in best of his ability as per the directions of superior. Therefore, it is that which gives effectiveness to authority. At the same time, responsibility is absolute and cannot be shifted.

4. **Creation of accountability** – Accountability, on the other hand, is the obligation of the individual to carry out his duties as per the standards of performance. Therefore, it is said that authority is delegated, responsibility is created and accountability is imposed. Accountability arises out of responsibility and responsibility arises out of authority. Therefore, it becomes important that with every authority position an equal and opposite responsibility should be attached.

Therefore every manager, i.e., the delegator has to follow a system to finish up the delegation process. Equally important is the delegatee's role which means his responsibility and accountability is attached with the authority over to here.

### **Advantages of Delegation**

The following advantages of delegation clearly highlight its importance:

1. It reduces the burden of the top executives in tackling routine problems and enables them to concentrate on more important policy matters.
2. It ensures taking of quick decisions throughout the organisation within the limits provided by the top level executives.
3. It helps in maintaining healthy relationships between superior and their subordinates by clearly defining their authority and responsibility.
4. It enables the manager to benefit from the specialised knowledge and expertise of persons at lower levels and thereby improves work efficiency.
5. It helps in developing managerial personnel for its future.

6. It helps to improve the morale and the level of job satisfaction of subordinates. It motivates them to contribute their best, for effective accomplishment of organisational objectives.
7. It provides the basis for effective functioning of an organisation. It establishes relationships through the organisation and helps in achieving enterprise objectives.

## **CENTRALIZATION AND DECENTRALIZATION**

### **CENTRALIZATION:**

It is the process of transferring and assigning decision-making authority to higher levels of an organizational hierarchy. The span of control of top managers is relatively broad, and there are relatively many tiers in the organization.

### **Characteristics**

- Philosophy / emphasis on: top-down control, leadership, vision, strategy.
- Decision-making: strong, authoritarian, visionary, charismatic.
- Organizational change: shaped by top, vision of leader.
- Execution: decisive, fast, coordinated. Able to respond quickly to major issues and changes.
- Uniformity. Low risk of dissent or conflicts between parts of the organization.

### **Advantages of Centralization**

- Provide Power and prestige for manager
- Promote uniformity of policies, practices and decisions
- Minimal extensive controlling procedures and practices
- Minimize duplication of function

### **Disadvantages of Centralization**

- Neglected functions for mid. Level, and less motivated beside personnel.

- Nursing supervisor functions as a link officer between nursing director and first-line management.

## **DECENTRALIZATION:**

It is the process of transferring and assigning decision-making authority to lower levels of an organizational hierarchy. The span of control of top managers is relatively small, and there are relatively few tiers in the organization, because there is more autonomy in the lower ranks.

### **Characteristics**

- Philosophy / emphasis on: bottom-up, political, cultural and learning dynamics.
- Decision-making: democratic, participative, detailed.
- Organizational change: emerging from interactions, organizational dynamics.
- Execution: evolutionary, emergent. Flexible to adapt to minor issues and changes.
- Participation, accountability. Low risk of not-invented-here behavior.

### **Three Forms of decentralization**

- **De-concentration.** The weakest form of decentralization. Decision making authority is redistributed to lower or regional levels of the same central organization.
- **Delegation.** A more extensive form of decentralization. Through delegation the responsibility for decision-making are transferred to semi-autonomous organizations not wholly controlled by the central organization, but ultimately accountable to it.
- **Devolution.** A third type of decentralization is devolution. The authority for decision- making is transferred completely to autonomous organizational units.

### **Advantages of Decentralization**

- Raise morale and promote interpersonal relationships
- Relieve from the daily administration

- Bring decision-making close to action
- Develop Second-line managers
- Promote employee's enthusiasm and coordination
- Facilitate actions by lower-level managers

### **Disadvantages of Decentralization**

- Top-level administration may feel it would decrease their status
- Managers may not permit full and maximum utilization of highly qualified personnel
- Increased costs. It requires more managers and large staff
- It may lead to overlapping and duplication of effort

Centralization and Decentralization are two opposite ways to transfer decision-making power and to change the organizational structure of organizations accordingly.

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

### **LEADERSHIP**

Leadership is an activity on the part of the managers to get something done by others, willingly and not by compulsion. Leadership is a process of influence on a group. Leadership is the ability of a manager to induce subordinates to work with confidence.

### **DEFINITION**

“leadership is the ability of a manager to induce subordinates to work with confidence and zeal.”

**Koontz and O' Donnel,**

“leadership refers to the quality of the behaviour of individual whereby they guide people on their activities in organized efforts”

**Chester I Bernard**

“a leader is one who guides and directs other people. He gives the efforts to his followers a direction and purpose by influencing their behaviour”

**Louis A Allen**

Thus leadership is a psychological process of influencing followers and providing guidance, directing and leading the people in an organization towards attainment of the objectives of the enterprise.

### **Nature or Characteristics of Leadership**

1. A leader should have followers
2. leadership is basically a personal quality
3. leadership involves a community of interest between the leader and his followers
4. leadership is a process of influence
5. leadership is the function of stimulation
6. A leader ensures absolute justice
7. Leadership is a continuous, dynamic and ever evolving process.

### **Importance of leadership**

- Leadership is the process of influencing the activities of an individual or a group towards the achievement of a goal.
- An effective leader motivates the subordinates for higher level performance.
- Leadership promotes team spirit and team work which is quite essential for the success of any organization
- Leadership is an aid to authority as it helps in the effective use of formal authority.
- Leadership creates confidence in the subordinates by giving them proper guidance and advice.

#### **1. Autocratic leadership**

Autocratic leaders, also known as authoritarian leaders, generally have all the power, authority, and responsibility in an organization. There is rarely input or decision-making on the part of team or group members; instead, team members are tasked with implementing the leader's decisions and choices.

This type of leadership is generally very rigid, but in situations that demand structure, quick decision-making, and close supervision, it can be beneficial to the organization. There are also many pitfalls: the organization cannot function without the

leader, communication may be flawed or lacking, and workers may feel demoralized.

### **Example**

With her meticulous attention to detail and demanding nature, Martha Stewart embodies autocratic leadership. She is closely involved in and pays personal attention to the goings-on within her brands and make the majority of her empire's decisions.

If you're a natural at influencing and inspiring...

### **2. Charismatic leadership**

Charismatic leadership can transform attitudes and beliefs in employees and others. She has the power to influence and inspire people, and the goals of the organization generally reflect her vision.

As the name suggests, this type of leader is charismatic and can effect great change, as well as inspire people. On the flip side, as with autocratic leaders, the organization may become overly dependent on the leader. Other risks include a charismatic leader ignoring the needs or ideas of her employees and being unable or unwilling to learn from mistakes.

### **Example**

Oprah Winfrey, who can sway the minds not only of her employees but people across the world, is a charismatic leader.

If you can lead from afar...

### **3. Transformational leadership**

Like charismatic leaders, transformational leaders inspire others. However, unlike the former leadership style, this style does not require the leader to be present to effect change, because the leader initiates transformation through the organization and motivates employees to perform.

Transformational leadership demands a high level of productivity and involvement from employees. While this style can go a long way in effecting real change, it may overuse some employees to the detriment of others. Transformational leaders also risk setting too-high, unrealistic expectations for team members.

## **Example**

With a strong vision and the power to inspire others, Walt Disney was a classic transformational leader.

### **4. Laissez-faire leadership**

Employees of laissez-faire leaders have a high degree of autonomy. Leaders maintain a hands-off approach to managing workers, providing them with the tools they need to do their job without being directly involved in decision-making processes, daily tasks, and responsibilities. However, these leaders still take responsibility for the company's decisions, even though the power to make these decisions rests in the hands of the employees.

The laissez-faire leadership style can be successful when employees are skilled in the nature of the work and motivated to succeed and do their jobs well. Workers enjoy independence, which may be appealing to many employees. This type of leadership can have consequences when the leader is uninvolved or takes a passive approach to working with employees who need more guidance. It can also lead to a lack of unity and cohesion in a group or team, and projects may fall off track without strong oversight.

## **Example**

Donna Karan, who maintains a hands-off leadership style, trusting managers with decisions while monitoring the performance of her employees, is one example of a laissez-faire leader.

### **5. Transactional leadership**

Transactional leadership stems from the notion that employment and specific projects are a transaction: When an employee accepts a job, she agrees to “obey” the leader and complete the tasks and duties as assigned, and will be compensated in exchange for her efforts. Workers may be rewarded or punished based on their performance.

Roles are well-defined, and people who are ambitious and respond to rewards are likely to do well under this kind of leadership. Additionally, this leadership style establishes a clearly-defined structure that enables the organization to meet short-term goals.

However, transactional leadership does not allow for much innovation or creativity in employees. It also establishes a rigid structure that may not respond well to change.

### **Example**

In founding and managing Microsoft, transactional leader Bill Gates employed—and continues to use—a task-oriented, goal-focused style.

### **6. Supportive leadership**

Supportive leaders delegate and assign tasks to employees, but also provide employees with the skills needed to complete the task. They work through problems and issues with employees and offer a high degree of attention and coaching on an as-needed basis. The employee maintains autonomy, but the supportive leader will step in and work through issues and problems with the employee as they arise.

Supportive leaders tend to have compassion and are respectful to their employees. In turn, employees feel valued and empowered. Still, supportive leadership can have some pitfalls. For instance, a supportive leader may lose recognition as a manager if she only steps in when problems arise and be less involved in the overall workflow and realization of the organization's goals.

### **Example**

CEO Larry Page uses a blend of several leadership styles to ensure the success of Google. As a supportive leader, he maintains involvement in the company's hiring decisions and motivates and respects employees, while expecting them to work independently toward Google's goals and vision.

### **7. Democratic leadership**

Also known as participative leadership, in the case of democratic leadership, all or most group members are able to participate in decision-making processes. Democratic leaders emphasize equality and encourage discussion and a flow of ideas.

While democratic tends to be an effective leadership style and has a number of benefits—it encourages creativity, emphasizes fairness, and values intelligence and honesty—there are some potential drawbacks. Roles may be less well defined, which could create



communication problems and failures. Some group members, typically those with less experience, may be less willing or able to contribute, or feel that their contributions are not as valued as others are.

### **Example**

As a democratic leader, Indra Nooyi, the CEO and chairman of PepsiCo, encourages communication and makes an effort to take an interest in the lives of her employees

## **COMMUNICATION**

Communication is the exchange of messages between people for the purpose of achieving common meanings. Unless common meanings are shared, managers find it extremely difficult to influence others. Whenever group of people interact, communication takes place. Communication is the exchange of information using a shared set of symbols. It is the process that links group members and enables them to coordinate their activities. Therefore, when managers foster effective communication, they strengthen the connections between employees and build cooperation. Communication also functions to build and reinforce interdependence between various parts of the organization. As a linking mechanism among the different organizational subsystems, communication is a central feature of the structure of groups and organizations. It helps to coordinate tasks and activities within and between organizations.

### **DEFINITION**

"Communication, is an intercourse by words, letters symbols or messages, and is a way that the organization members shares meaning and understanding with another".

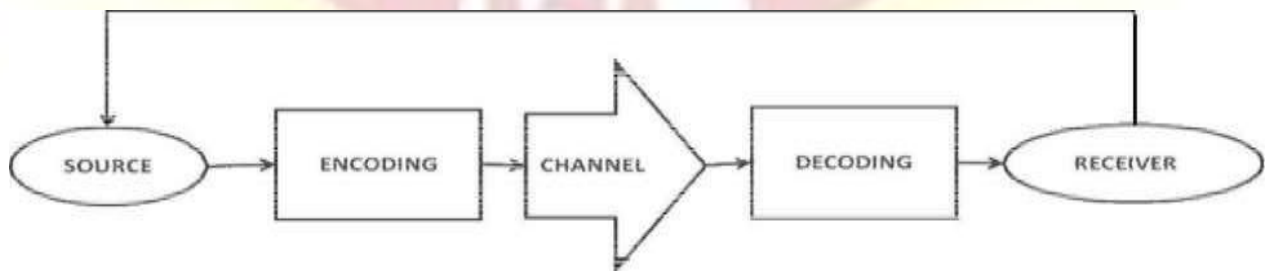
Koontz and O'Donnell

## COMMUNICATION PROCESS

Communication is important in building and sustaining human relationships at work. Communication can be thought of as a process or flow. Before communication can take place, a purpose, expressed as a message to be conveyed is needed. It passes between the sender and the receiver. The result is transference of meaning from one person to another.

The figure below depicts the communication process. This model is made up of seven parts:

- (1) Source,
- (2) Encoding,
- (3) Message,
- (4) Channel,
- (5) Decoding,
- (6) Receiver, and
- (7) Feedback.



### a) Source:

The source initiates a message. This is the origin of the communication and can be an individual, group or inanimate object. The effectiveness of a communication depends to a considerable degree on the characteristics of the

source. The person who initiates the communication process is known as sender, source or communicator. In an organization, the sender will be a person who has a need or desire to send a message to others. The sender has some information which he wants to communicate to some other person to achieve some purpose. By initiating the message, the sender attempts to achieve understanding and change in the behaviour of the receiver.

### **b) Encoding:**

Once the source has decided what message to communicate, the content of the message must be put in a form the receiver can understand. As the background for encoding information, the sender uses his or her own frame of reference. It includes the individual's view of the organization or situation as a function of personal education, interpersonal relationships, attitudes, knowledge and experience. Three conditions are necessary for successful encoding the message.

- **Skill:** Successful communicating depends on the skill you possess. Without the requisite skills, the message of the communicator will not reach the receiver in the desired form. One's total communicative success includes speaking, reading, listening and reasoning skills.
- **Attitudes:** Our attitudes influence our behaviour. We hold predisposed ideas on a number of topics and our communications are affected by these attitudes.
- **Knowledge:** We cannot communicate what we don't know. The amount of knowledge the source holds about his or her subject will affect the message he or she seeks to transfer.

### **c) The Message:**

The message is the actual physical product from the source encoding. The message contains the thoughts and feelings that the communicator intends to evoke in the

receiver. The message has two primary components:-

- **The Content:** The thought or conceptual component of the message is contained in the words, ideas, symbols and concepts chosen to relay the message.
- **The Affect:** The feeling or emotional component of the message is contained in the intensity, force, demeanour (conduct or behaviour), and sometimes the gestures of the communicator.

**d) The Channel:**

The actual means by which the message is transmitted to the receiver (Visual, auditory, written or some combination of these three) is called the channel. The channel is the medium through which the message travels. The channel is the observable carrier of the message. Communication in which the sender's voice is used as the channel is called oral communication. When the channel involves written language, the sender is using written communication. The sender's choice of a channel conveys additional information beyond that contained in the message itself. For example, documenting an employee's poor performance in writing conveys that the manager has taken the problem seriously.

**f) Decoding:**

Decoding means interpreting what the message means. The extent to which the decoding by the receiver depends heavily on the individual characteristics of the sender and receiver. The greater the similarity in the background or status factors of the communicators, the greater the probability that a message will be perceived accurately. Most messages can be decoded in more than one way. Receiving and decoding a message are a type of perception. The decoding process is therefore subject to the perception biases.

### **g) The Receiver:**

The receiver is the object to whom the message is directed. Receiving the message means one or more of the receiver's senses register the message - for example, hearing the sound of a supplier's voice over the telephone or seeing the boss give a thumbs-up signal. Like the sender, the receiver is subject to many influences that can affect the understanding of the message. Most important, the receiver will perceive a communication in a manner that is consistent with previous experiences. Communications that are not consistent with expectations is likely to be rejected.

### **h) Feedback:**

The final link in the communication process is a feedback loop. Feedback, in effect, is communication travelling in the opposite direction. If the sender pays attention to the feedback and interprets it accurately, the feedback can help the sender learn whether the original communication was decoded accurately. Without feedback, one-way communication occurs between managers and their employees. Faced with differences in their power, lack of time, and a desire to save face by not passing on negative information, employees may be discouraged from providing the necessary feedback to their managers.

### **Guidelines for effective Communication**

- (i) Senders of message must clarify in their minds what they want to communicate. Purpose of the message and making a plan to achieve the intended end must be clarified.
- (ii) Encoding and decoding be done with symbols that are familiar to the sender and the receiver of the message.
- (iii) For the planning of the communication, other people should be consulted and encouraged to participate.
- (iv) It is important to consider the needs of the receivers of the information. Whenever appropriate, one should communicate something that is of value to

them, in the short run as well as in the more distant future.

- (v) In communication, tone of voice, the choice of language and the congruency between what is said and how it is said influence the reactions of the receiver of the message.
- (vi) Communication is complete only when the message is understood by the receiver. And one never knows whether communication is understood unless the sender gets a feedback.
- (vii) The function of communication is more than transmitting the information. It also deals with emotions that are very important in interpersonal relationships between superiors, subordinates and colleagues in an organization.
- (viii) Effective communicating is the responsibility not only of the sender but also of the receiver of the information.

## **BARRIERS TO EFFECTIVE COMMUNICATION**

Barriers to communication are factors that block or significantly distort successful communication. Effective managerial communication skills helps overcome some, but not all, barriers to communication in organizations. The more prominent barriers to effective communication which every manager should be aware of is given below:

### **a) Filtering:**

Filtering refers to a sender manipulating information so it will be seen more favourably by the receiver. The major determinant of filtering is the number of levels in an organization's structure. The more vertical levels in the organization's hierarchy, the more opportunities for filtering. Sometimes the information is filtered by the sender himself. If the sender is hiding some meaning and disclosing in such a fashion as appealing to the receiver, then he is "filtering" the message deliberately. A manager in the process of altering communication in his favour is

attempting to filter the information.

**b) Selective Perception:**

Selective perception means seeing what one wants to see. The receiver, in the communication process, generally resorts to selective perception i.e., he selectively perceives the message based on the organizational requirements, the needs and characteristics, background of the employees etc. Perceptual distortion is one of the distressing barriers to the effective communication. People interpret what they see and call it a reality. In our regular activities, we tend to see those things that please us and to reject or ignore unpleasant things. Selective perception allows us to keep out dissonance (the existence of conflicting elements in our perceptual set) at a tolerable level. If we encounter something that does not fit our current image of reality, we structure the situation to minimize our dissonance. Thus, we manage to overlook many stimuli from the environment that do not fit into our current perception of the world. This process has significant implications for managerial activities. For example, the employment interviewer who expects a female job applicant to put her family ahead of her career is likely to see that in female applicants, regardless of whether the applicants feel that way or not.

**c) Emotions:**

How the receiver feels at the time of receipt of information influences effectively how he interprets the information. For example, if the receiver feels that the communicator is in a jovial mood, he interprets that the information being sent by the communicator to be good and interesting. Extreme emotions and jubilation or depression are quite likely to hinder the effectiveness of communication. A person's ability to encode a message can become impaired when the person is feeling strong emotions. For example, when you are angry, it is harder to consider the other person's viewpoint and to choose words carefully. The angrier you are, the harder this task becomes. Extreme emotions – such as jubilation or depression -

are most likely to hinder effective communication. In such instances, we are most prone to disregard our rational and objective thinking processes and substitute emotional judgments.

**d) Language:**

Communicated message must be understandable to the receiver. Words mean different things to different people. Language reflects not only the personality of the individual but also the culture of society in which the individual is living. In organizations, people from different regions, different backgrounds, and speak different languages. People will have different academic backgrounds, different intellectual facilities, and hence the jargon they use varies. Often, communication gap arises because the language the sender is using may be incomprehensible, vague and indigestible. Language is a central element in communication. It may pose a barrier if its use obscures meaning and distorts intent. Words mean different things to different people. Age, education and cultural background are three of the more obvious variables that influence the language a person uses and the definitions he or she gives to words. Therefore, use simple, direct, declarative language.

Speak in brief sentences and use terms or words you have heard from you audience. As much as possible, speak in the language of the listener. Do not use jargon or technical language except with those who clearly understand it.

**e) Stereotyping:**

Stereotyping is the application of selective perception. When we have preconceived ideas about other people and refuse to discriminate between individual behaviours, we are applying selective perception to our relationship with other people. Stereotyping is a barrier to communications because those who stereotype others use selective perception in their communication and tend to hear only those things that confirm their stereotyped images. Consequently, stereotypes



become more deeply ingrained as we find more "evidence" to confirm our original opinion. Stereotyping has a convenience function in our interpersonal relations. Since people are all different, ideally we should react and interact with each person differently. To do this, however, requires considerable psychological effort. It is much easier to categorize (stereotype) people so that we can interact with them as members of a particular category. Since the number of categories is small, we end up treating many people the same even though they are quite different. Our communications, then, may be directed at an individual as a member of a category at the sacrifice of the more effective communication on a personal level.

**f) Status Difference:**

The organizational hierarchy pose another barrier to communication within organization, especially when the communication is between employee and manager. This is so because the employee is dependent on the manager as the primary link to the organization and hence more likely to distort upward communication than either horizontal or downward communication. Effective supervisory skills make the supervisor more approachable and help reduce the risk of problems related to status differences. In addition, when employees feel secure, they are more likely to be straightforward in upward communication.

**g) Use of Conflicting Signals:**

A sender is using conflicting signals when he or she sends inconsistent messages. A vertical message might conflict with a nonverbal one. For example, if a manager says to his employees, "If you have a problem, just come to me. My door is always open", but he looks annoyed whenever an employee knocks on his door". Then we say the manager is sending conflicting messages. When signals conflict, the receivers of the message have to decide which, if any, to believe.

**h) Reluctance to Communicate:**

For a variety of reasons, managers are sometimes reluctant to transmit messages.

The reasons could be:-

- They may doubt their ability to do so.
- They may dislike or be weary of writing or talking to others.
- They may hesitate to deliver bad news because they do not want to face a negative reaction.

When someone gives in to these feelings, they become a barrier to effective communications.

### **i) Projection:**

Projection has two meanings.

- (a) Projecting one's own motives into others behavior. For example, managers who are motivated by money may assume their subordinates are also motivated by it. If the subordinate's prime motive is something other than money, serious problems may arise.
- (b) The use of defense mechanism to avoid placing blame on oneself. As a defense mechanism, the projection phenomenon operates to protect the ego from unpleasant communications. Frequently, individuals who have a particular fault will see the same fault in others, making their own fault seem not so serious.

### **j) The "Halo Effect":**

The term "halo effect" refers to the process of forming opinions based on one element from a group of elements and generalizing that perception to all other elements. For example, in an organization, a good attendance record may cause positive judgments about productivity, attitude, or quality of work. In performance evaluation system, the halo effect refers to the practice of singling out one trait of an employee (either good or bad) and using this as a basis for judgments of the total employee.

## **CHANNELS OF COMMUNICATION**

### **a) Formal Communication**

Formal communication follows the route formally laid down in the organization structure. There are three directions in which communications flow: downward, upward and laterally (horizontal).

#### **i) Downward Communication**

Downward communication involves a message travelling to one or more receivers at the lower level in the hierarchy. The message frequently involves directions or performance feedback. The downward flow of communication generally corresponds to the formal organizational communications system, which is usually synonymous with the chain of command or line of authority. This system has received a great deal of attention from both managers and behavioral scientists since it is crucial to organizational functioning.

#### **ii) Upward Communication**

In upward communication, the message is directed toward a higher level in the hierarchy. It often takes the form of progress reports or information about successes and failures of the individuals or work groups reporting to the receiver of the message. Sometimes employees also send suggestions or complaints upward through the organization's hierarchy.

The upward flow of communication involves two distinct manager-subordinate activities in addition to feedback:

- The participation by employees in formal organizational decisions.
- Employee appeal is a result against formal organization decisions. The employee appeal is a result of the industrial democracy concept that provides for two-way communication in areas of disagreement.

### **iii) Horizontal Communication**

When takes place among members of the same work group, among members of work groups at the same level, among managers at the same level or among any horizontally equivalent personnel, we describe it as lateral communications. In lateral communication, the sender and receiver(s) are at the same level in the hierarchy. Formal communications that travel laterally involve employees engaged in carrying out the same or related tasks.

The messages might concern advice, problem solving, or coordination of activities.

### **b) Informal Communication or Grapevine**

Informal communication, generally associated with interpersonal communication, was primarily seen as a potential hindrance to effective organizational performance. This is no longer the case. Informal communication has become more important to ensuring the effective conduct of work in modern organizations. Probably the most common term used for the informal communication in the workplace is “grapevine” and this communication that is sent through the organizational grapevine is often considered gossip or rumor. While grapevine communication can spread information quickly and can easily cross established organizational boundaries, the information it carries can be changed through the deletion or exaggeration crucial details thus causing the information inaccurate – even if it’s based on truth.

The use of the organizational grapevine as an informal communication channel often results when employees feel threatened, vulnerable, or when the organization is experiencing change and when communication from management is restricted and not forthcoming.

## UNIT V

### DIRECTING

#### **DEFINITION**

“Directing consists of the process and techniques utilized in issuing instructions and making certain that operations are carried on as originally planned. Directing is the process around which all performance revolves. It is the essence of operations, and co-ordination is a necessary by product of good managerial directing”.

**Haimann,**

#### **ELEMENTS**

The directing function consists of four elements namely:

1. Motivation
2. Leadership
3. Supervision and
4. Communication

#### **Characteristics of Directing**

- It is an important function of the top management. It alone can initiate action in the organisation. Hence the directing function is broader in scope.
- It is performed at every level of management. It runs down the organisation in a chain of command. It is the superior who directs a sub-ordinate, not a sub-ordinate direct his superior.
- It is not a more mechanical activity of passing orders and issuing instruction, but motivating, leading, supervising, communicating and inspiring sub-ordinates.
- It is an important instrument to improve efficiency and productivity.
- It is an interconnecting mechanism. It interconnects the mutually dependent aspects of motivation, leadership, supervision and communication.
- It is a continuous process.

## Importance of Directing

- ❖ It bridges the gap between managerial decisions and their actual execution by employees.
- ❖ It initiates action to utilise resources – manpower and material, in a certain way to reap the desired results.
- ❖ It integrates organisation objectives and individual goals.
- ❖ It seeks to maximise the potentialities, capacities and capabilities of employees in the enterprise.
- ❖ It facilitates the introduction of changes in the organisation in tune with changes in the external environment.
- ❖ It provides much needed stability in the organisation and maintains balance in the different departments of the organisation.

## Principles of Directing

Directing is a complex and complicated function of management as it is concerned with employees of diverse nature. The following are some of the principles which are generally followed in directing the sub-ordinates.

**Harmony of Objectives:** The principle of harmony seeks to reconcile organisation's objectives with employee objectives. Management must bring out fusion towards individual employees, groups and enterprise. This will foster the sense of belonging to the organisation among the employees.

**Unity of Direction:** The principle of unity of direction lays stress on the sub-ordinates receiving orders from one superior. Dual or multiple commands will create only conflict and confusion.

**Personal supervision:** The principle of personal supervision means face-to-face communication between superiors and sub-ordinates. Managers should have direct access to their sub-ordinates, so as to get quick feedback.

**Motivation:** The principle of motivation is important to inspire employees, and to lead them to higher job satisfaction.

**Leadership:** The principle of leadership underlines the importance of influencing the employees to reach peak performance in the work environment. Managers

must seek to influence the activities of their sub-ordinates get their wholehearted support and achieve the goals of organisation.

**Follow up:** The principle of follow-up refers to continuous supervision and constant coaching to find out whether the employees perform as per standards or not.

## **CO ORDINATION**

Co-ordination refers to balancing, timing and integrating activities in an organisation. Business involves multiple operations, manifold policies, varied skills, administrative processes and actions, wherein different managers display their talents in different roles. All these business activities, carried on by different departments should contribute to the achievement of the common objectives of an enterprise. In order to harmonise the activities of the firm, it is quite indispensable to see that everybody in the business understands the main objective of the business and works towards their achievement in active co-operation with others. This can be achieved through coordination, which means integrating all activities in an enterprise. The manager must, therefore, prove to be an effective leader and develop an orderly pattern of group effort among his subordinates to achieve the objectives. Hence, co-ordination is the managerial function of correlating and integrating the diverse goals, activities and approaches to bring about commonality of goals and unity of efforts.

### **Definition of Co-Ordination**

“The orderly arrangement of group effort to provide unity of action in pursuit of a common purpose”.

**D. Mooney and A .C. Railey James**

“Co-ordination deals with the task of blending efforts in order to ensure a successful attainment of an objective”.

**Terry**

“Co-ordination is the process whereby an executive develops an orderly pattern of group effort among his subordinates and secures unity of action in the pursuit of common purpose”.

**Dzalton E. McFarland**

## **NATURE AND CHARACTERISTICS OF CO-ORDINATION**

### **(1) Coordination Integrates Group Effort**

The need for coordination is felt when group effort is needed for the accomplishment of an objective. In short, it can be said that coordination is related to group effort and not individual effort. The question of coordination does not arise, if the job is done by one person only.

### **(2) Coordination Ensures Unity of Action**

The nature of coordination is of creating unity in action. It means during coordinating process an effort is made to create unity among the various activities of an organisation. For example, the purchase and sales departments have to coordinate their efforts so that supply of goods takes place according to purchase orders.

### **(3) Coordination is a Continuous Process**

It is not a job which can be performed once and for all, but its need is felt at every step. Many activities are performed in a business. Sometimes or the other, if any one of the activities goes on fluctuating either for more or less than required, the whole organisational balance is disrupted. Thus, a close watch has to be kept on all the activities to maintain the balance.

### **(4) Coordination is an All-pervasive Function**

Pervasiveness refers to that truth which is applicable to all spheres (business and non-business organisations) and places uniformly. The nature of coordination is pervasive.

### **(5) Coordination is the Responsibility of All Managers**

Coordination is needed at all the three, i.e., top, middle and lower managerial levels. Different activities performed at all the levels are equally important. Thus it is the responsibility of all the managers that they make efforts to establish coordination.

### **(6) Co-ordination is a Deliberate Function**

Coordination is never established by itself but it is a deliberate effort. Only cooperation does not suffice but coordination is also needed.



## Co-ordination and Co-operation

Basis	Co-ordination	Co-operation
Meaning	It is an orderly arrangement of group efforts in pursuit of common goals.	It means mutual help willingly.
Scope	It is broader than co-operation which includes as well because it harmonizes the group efforts.	It is termed as a part of co-ordination.
Process	The function of co-ordination is performed by top management.	The functions of co-operation are prepared by persons at any level.
Requirements	Co-ordination is required by employees and departments at work irrespective of their work.	Co-operation is emotional in nature because it depends on the willingness of people working together.
Relationship	It establishes formal and informal relationships.	It establishes informal relationship.
Freedom	It is planned and entrusted by the central authority & it is essential.	It depends upon the sweet will of the individuals and therefore it is not necessary.
Support	It seeks wholehearted support from various people working at various levels.	Co-operation without co-ordination is fruitless & therefore it may lead to unbalanced developments.

## **IMPORTANCE OF CO-ORDINATION**

### **1. Co-ordination encourages team spirit**

There exists many conflicts and rivalries between individuals, departments, between a line and staff, etc. Similarly, conflicts are also between individual objectives and organizational objectives. Coordination arranges the work and the objectives in such a way that there are minimum conflicts and rivalries. It encourages the employees to work as a team and achieve the common objectives of the organization. This increases the team spirit of the employees.

### **2. Co-ordination gives proper direction**

There are many departments in the organization. Each department performs different activities. Coordination integrates (bring together) these activities for achieving the common goals or objectives of the organization. Thus, coordination gives proper direction to all the departments of the organization.

### **3. Co-ordination facilitates motivation**

Co-ordination gives complete freedom to the employees. It encourages the employees to show initiative. It also gives them many financial and non-financial incentives. Therefore, the employees get job satisfaction, and they are motivated to perform better.

### **4. Co-ordination makes optimum utilization of resources**

Co-ordination helps to bring together the human and material resources of the organization. It helps to make optimum utilization of resources. These resources are used to achieve the objectives of the organization. Coordination also minimizes the wastage of resources in the organization.

### **5. Co-ordination helps to achieve objectives quickly**

Co-ordination helps to minimize the conflicts, rivalries, wastages, delays and other organizational problems. It ensures smooth working of the organization. Therefore, with the help of coordination an organization can achieve its objectives easily and quickly.

### **6. Co-ordination improves relations in the organization**

The Top Level Managers coordinates the activities of the Middle Level Managers and develop good relations with them. Similarly, the Middle Level Managers coordinate the activities of the Lower Level Managers and develop good relations with them. Also, the Lower Level Managers coordinate the activities of the workers and develop good relations with them. Thus, coordination, overall improves the relations in the organization.

## **7. Co-ordination leads to higher efficiency**

Efficiency is the relationship between Returns and Cost. There will be higher efficiency when the returns are more and the cost is less. Since coordination leads to optimum utilization of resources it results in more returns and low cost. Thus, coordination leads to higher efficiency.

## **8. Co-ordination improves goodwill of the organization**

Co-ordination helps an organization to sell high quality goods and services at lower prices. This improves the goodwill of the organization and helps it earn a good name and image in the market and corporate world.

### **Problems in Co-ordination**

#### **1. Poorly defined and understood objectives**

It will be impossible to achieve co-ordination if the goals of the enterprise are not clearly defined. Every individual and each department must understand what is expected of them by the organisation. Top management must clearly state the objectives for the enterprise, as a whole. The various plans formulated in the enterprise must be inter-related and designed to fit together. Only then the organization can be coordinated.

#### **2. Improper division of work**

Division of work is one of the most important requisites of effective organising. If the tasks are not differentiated and assigned to individuals according to their skills and qualification, it will be quite difficult to coordinate the activities of the enterprise.

#### **3. Structured organization**

When the degree of formalisation, span of control degree of centralisation etc. are not clearly understood and activities are not properly departmentalised a very poorly structured organization will emerge making coordination very difficult.

#### **4. Defined lines of authority:**

Coordination can never be achieved if the lines of authority are not clearly defined. Authority must be delegated in a clear way. The individual must know, what is expected of him by his superior(s). Once authority is accepted, the subordinate must be made accountable for results, in his work area. There should be no room for overlapping of authority and wastage of effort(s).

#### **5. Poor communication**

A smooth flow of two-way communication is prerequisite of co-ordination, if sound communication networks are not developed, an enterprise can never be co-ordinated.

Personal contact is generally considered to be the most effective means of communication for achieving co-ordination. Other means of communication such as records, reports, may also be used in order to supply timely and accurate information to various groups in an organization.

## **6. Ineffective leadership**

According to McFarland, real coordination can be achieved only through effective leadership. Top management, to this end, must be able to provide:

- (i) a conducive work environment,
- (ii) proper allocation of work,
- (iii) incentives for good work, etc. It must persuade subordinates, to have identity of interests and to adopt a common outlook.

## **Principles of co-ordination**

### **1. Principle of Continuity**

Co-ordination is a process that requires continuity. Thus, it means that the process should not be only a one-time process. So, the process of coordination should begin at the time the organization starts. This shall also continue until an organization exists.

### **2. Principle of Direct contact**

This principle believes in direct contact. It states that managers should directly contact their subordinates. Thus, it will help in building good relations for managers with their subordinates.

Also, because of this principle, any misunderstanding will be avoided. Along with this, misinterpretations and disputes will be avoided between the subordinates and the managers.

### **3. Principle of reciprocity**

The actions and decisions of the people working in the organization and their departments are inter-related. Thus, the actions and decisions of one department or the person will affect other departments and people in the organization.

So, before taking any decision every manager must find out the effect of that decision on the other departments. This is the principle of reciprocal relations. Thus, the coordination in the organization will be followed properly only if the principles are followed.

## Techniques of Co-Ordination

The primary objective of all the management functions of planning, organising, staffing, directing and controlling is to get things done by coordinated efforts of others. Every managerial function is an exercise in co-ordination and hence management must remove the obstacles that deter co-ordination by adopting the following specific techniques.

**1. Chain of Command:** This technique stresses that the hierarchy or chain of command is the most obvious method and is the traditional means of co-ordination. Management has to exercise authority to regulate the performance of different departments because clear cut authority relationships help in reducing conflicts among different departments. This technique also emphasises that an employee should receive orders from one superior only because dual command is a continuous source of conflict. Co-ordination cannot be secured when two superiors give their orders to the same person or department. Thus, in order to bring an orderly synchronisation of actions in an enterprise, manager must achieve co-ordination through chain of command because all subordinates under him are responsible to him.

**2. Leadership:** Through effective leadership, co-ordination becomes possible because leadership provides individual motivation and persuades the group to have an identity of interests and outlook in group efforts. To achieve the common objectives of an enterprise, the manager is a good leader and must guide and co-ordinate the activities of his subordinates.

**3. Committees:** this technique of achieving co-ordination is used in most organisation by forming a committee, which helps to promote unity of purpose and uniformity of action different departments. A committee is a group of persons and the decisions of the committee are group decisions which provide co-ordination among various activities and persons through information, advice, interchange of ideas, etc. While forming the committees, utmost care must be taken by the management, otherwise, the decisions taken by the group may not be effective to achieve co-ordination in an enterprise.

**4. Communication:** Effective communication conveys ideas, opinions, or decisions of managers to subordinate at different levels of the organisation and carries back information, suggestions and responses from subordinates. It regulates the flow of work, co-ordinates the efforts of the subordinates of an enterprise. To be effective, communication must be as direct as possible so as to minimize the chances of misinterpretation. To ensure proper co-ordination, various kinds of communication channels may be used, such as verbal relay of information, written reports, memos or other forms of documents, mechanical devices such as teletypes, intercommunication system etc.

**5. Voluntary Co-ordination:** Self co-ordination or voluntary co-ordination is possible in a climate of mutual co-operation, when two or more persons, working within the same of different departments, mutually discuss their problems and arrive at a coordinated action. This can be easily achieved in any organisation, when the supervisor gives his consent without any hesitation for such a mutual consultation among subordinates.

**6. Sound Planning and Clear-out Objectives:** The objectives of the organisation and policies must be clearly defined by the management. A well-conceived plan must clearly define the goals of the organisation so that inter-departmental objectives can be accomplished. Thus to ensure co-ordination, clear formulation of policies in the field of production, sales, finance, personnel, etc., must be correlated.

**7. Incentives:** Incentives have a tendency to incite action and bring about co-ordination. In order to infuse enthusiasm in a worker for greater and better work, incentives have a distinct and significant role. Financial incentives include wage, bonus, salary, etc. and non-financial incentives which include job security, recognition, promotion, etc., may be used to create mutuality of interest, to achieve co-ordination and to reduce conflicts.

**8. Liaison Officers:** Liaison officers can be employed when personal contact of the managers of different branches in an enterprise is not possible. These liaison officers

unite the different departments and collect necessary information to co-ordinate the activities of various functions in an enterprise.

**9. Professional Advisors:** Professional practitioners such as management experts, legal advisers, tax consultants, technologists, industrial psychologists advise in some area of their expertise, such as management development, Government policies, consumers' interest, banking trends, labour laws, tax laws, etc. Services of these professional advisers will be of much value and essential to an enterprise to achieve external co-ordination.

### **CONTROL - DEFINITION**

Control is the process through which managers assure that actual activities conform to planned activities.

"Managerial control implies measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans."

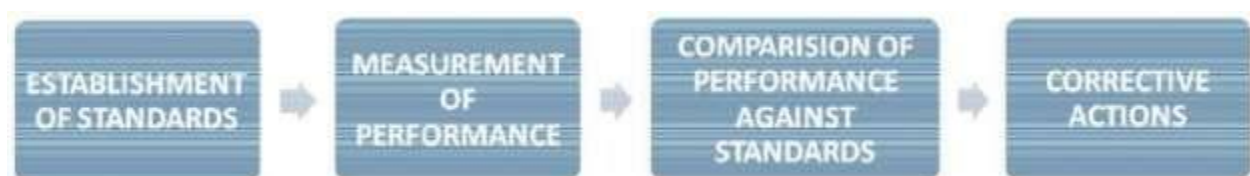
**Koontz and O'Donnell**

### **Nature & Purpose of Control**

- Control is an essential function of management
- Control is an ongoing process
- Control is forward – working because past cannot be controlled
- Control involves measurement
- The essence of control is action
- Control is an integrated system

### **CONTROL PROCESS**

The basic control process involves mainly these steps as shown in Figure



### **a) The Establishment of Standards:**

Because plans are the yardsticks against which controls must be revised, it follows logically that the first step in the control process would be to accomplish plans. Plans can be considered as the criterion or the standards against which we compare the actual performance in order to figure out the deviations.

### **Examples for the standards**

- Profitability standards: In general, these standards indicate how much the company would like to make as profit over a given time period- that is, its return on investment.
- Market position standards: These standards indicate the share of total sales in a particular market that the company would like to have relative to its competitors.
- Productivity standards: How much that various segments of the organization should produce is the focus of these standards.
- Product leadership standards: These indicate what must be done to attain such a position.
- Employee attitude standards: These standards indicate what types of attitudes the company managers should strive to indicate in the company's employees.
- Social responsibility standards: Such as making contribution to the society.
- Standards reflecting the relative balance between short and long range goals.

### **b) Measurement of Performance:**

The measurement of performance against standards should be on a forward looking basis so that deviations may be detected in advance by appropriate actions. The degree of difficulty in measuring various types of organizational performance, of



course, is determined primarily by the activity being measured. For example, it is far more difficult to measure the performance of highway maintenance worker than to measure the performance of a student enrolled in a college level management course.

### **c) Comparing Measured Performance to Stated Standards:**

When managers have taken a measure of organizational performance, their next step in controlling is to compare this measure against some standard. A standard is the level of activity established to serve as a model for evaluating organizational performance. The performance evaluated can be for the organization as a whole or for some individuals working within the organization. In essence, standards are the yardsticks that determine whether organizational performance is adequate or inadequate.

### **d) Taking Corrective Actions:**

After actual performance has been measured compared with established performance standards, the next step in the controlling process is to take corrective action, if necessary. Corrective action is managerial activity aimed at bringing organizational performance up to the level of performance standards. In other words, corrective action focuses on correcting organizational mistakes that hinder organizational performance. Before taking any corrective action, however, managers should make sure that the standards they are using were properly established and that their measurements of organizational performance are valid and reliable.

At first glance, it seems a fairly simple proposition that managers should take corrective action to eliminate problems - the factors within an organization that are barriers to organizational goal attainment. In practice, however, it is often difficult to pinpoint the problem causing some undesirable organizational effect.

## **BARRIERS FOR CONTROLLING**

There are many barriers, among the most important of them:

- Control activities can create an undesirable overemphasis on short-term production as opposed to long-term production.
- Control activities can increase employees' frustration with their jobs and thereby reduce morale. This reaction tends to occur primarily where management exerts too much control.
- Control activities can encourage the falsification of reports.
- Control activities can cause the perspectives of organization members to be too narrow for the good of the organization.
- Control activities can be perceived as the goals of the control process rather than the means by which corrective action is taken.

## **REQUIREMENTS FOR EFFECTIVE CONTROL**

The requirements for effective control are

### **a) Control should be tailored to plans and positions**

This means that, all control techniques and systems should reflect the plans they are designed to follow. This is because every plan and every kind and phase of an operation has its unique characteristics.

### **b) Control must be tailored to individual managers and their responsibilities**

This means that controls must be tailored to the personality of individual managers. This because control systems and information are intended to help individual managers carry out their function of control. If they are not of a type that a manager can or will understand, they will not be useful.

### **c) Control should point up exceptions as critical points**

This is because by concentration on exceptions from planned performance, controls based on the time honored exception principle allow managers to detect those places where their attention is required and should be given. However, it is not enough to look at exceptions, because some deviations from standards have

little meaning and others have a great deal of significance.

**d) Control should be objective**

This is because when controls are subjective, a manager's personality may influence judgments of performance inaccuracy. Objective standards can be quantitative such as costs or man hours per unit or date of job completion. They can also be qualitative in the case of training programs that have specific characteristics or are designed to accomplish a specific kind of upgrading of the quality of personnel.

**e) Control should be flexible**

This means that controls should remain workable in the case of changed plans, unforeseen circumstances, or oversight failures. Much flexibility in control can be provided by having alternative plans for various probable situations.

**f) Control should be economical**

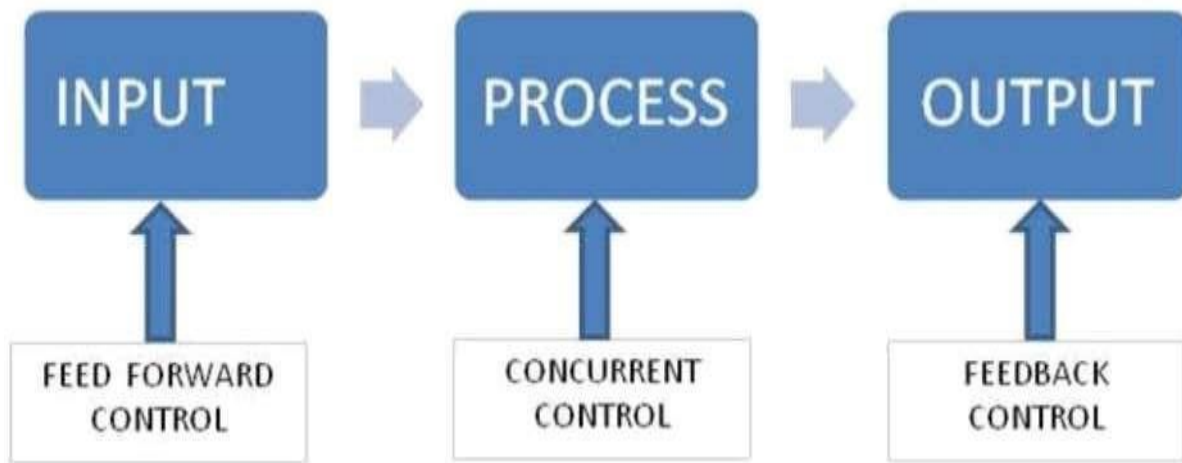
This means that control must worth their cost. Although this requirement is simple, its practice is often complex. This is because a manager may find it difficult to know what a particular system is worth, or to know what it costs.

**g) Control should lead to corrective actions**

This is because a control system will be of little benefit if it does not lead to corrective action, control is justified only if the indicated or experienced deviations from plans are corrected through appropriate planning, organizing, directing, and leading.

**TYPES OF CONTROL SYSTEMS**

The control systems can be classified into three types namely feed forward, concurrent and feedback control systems.



- a) **Feed forward controls:** They are preventive controls that try to anticipate problems and take corrective action before they occur. Example – a team leader checks the quality, completeness and reliability of their tools prior to going to the site.
- b) **Concurrent controls:** They (sometimes called screening controls) occur while an activity is taking place. Example – the team leader checks the quality or performance of his members while performing.
- c) **Feedback controls:** They measure activities that have already been completed. Thus corrections can take place after performance is over. Example – feedback from facilities engineers regarding the completed job.

## **CONTROL TECHNIQUES**

### **TRADITIONAL TECHNIQUES OF MANAGERIAL CONTROL**

#### **1. Personal Observation**

This is the most traditional method of control. Personal observation is one of those techniques which enables the manager to collect the information as first-hand information.

It also creates a phenomenon of psychological pressure on the employees to perform in such a manner so as to achieve well their objectives as they are aware that they are being

observed personally on their job. However, it is a very time-consuming exercise & cannot effectively be used for all kinds of jobs.

## **2. Statistical Reports**

Statistical reports can be defined as an overall analysis of reports and data which is used in the form of averages, percentage, ratios, correlation, etc., present useful information to the managers regarding the performance of the organization in various areas.

This type of useful information when presented in the various forms like charts, graphs, tables, etc., enables the managers to read them more easily & allow a comparison to be made with performance in previous periods & also with the benchmarks.

## **3. Break-even Analysis**

Breakeven analysis is a technique used by managers to study the relationship between costs, volume & profits. It determines the overall picture of probable profit & losses at different levels of activity while analyzing the overall position.

The sales volume at which there is no profit, no loss is known as the breakeven point. There is no profit or no loss. Breakeven point can be calculated with the help of the following formula:

Breakeven point = Fixed Costs/Selling price per unit – variable costs per unit

## **4. Budgetary Control**

Budgetary control can be defined as such technique of managerial control in which all operations which are necessary to be performed are executed in such a manner so as to perform and plan in advance in the form of budgets & actual results are compared with budgetary standards.

Therefore, the budget can be defined as a quantitative statement prepared for a definite future period of time for the purpose of obtaining a given objective. It is also a statement which reflects the policy of that particular period. The common types of budgets used by an organization.

Some of the types of budgets prepared by an organisation are as follows,

- Sales budget: A statement of what an organization expects to sell in terms of quantity as well as value
- Production budget: A statement of what an organization plans to produce in the budgeted period

- Material budget: A statement of estimated quantity & cost of materials required for production
- Cash budget: Anticipated cash inflows & outflows for the budgeted period
- Capital budget: Estimated spending on major long-term assets like a new factory or major equipment
- Research & development budget: Estimated spending for the development or refinement of products & processes

## **MODERN TECHNIQUES OF MANAGERIAL CONTROL**

### **1. RETURN ON INVESTMENT**

Return on investment (ROI) can be defined as one of the important and useful techniques. It provides the basics and guides for measuring whether or not invested capital has been used effectively for generating a reasonable amount of return. ROI can be used to measure the overall performance of an organization or of its individual departments or divisions. It can be calculated as under-

Net income before or after tax may be used for making comparisons. Total investment includes both working as well as fixed capital invested in the business.

### **2. RATIO ANALYSIS**

The most commonly used ratios used by organizations can be classified into the following categories:

- Liquidity ratios
- Solvency ratios
- Profitability ratios
- Turnover ratios

### **3. RESPONSIBILITY ACCOUNTING**

Responsibility accounting can be defined as a system of accounting in which overall involvement of different sections, divisions & departments of an organization are set up as 'Responsibility centers'. The head of the center is responsible for achieving the target set for his center. Responsibility centers may be of the following types:

- Cost center
- Revenue center
- Profit center

- Investment center

#### **4. MANAGEMENT AUDIT**

Management audit refers to a systematic appraisal of the overall performance of the management of an organization. The purpose is to review the efficiency & effectiveness of management & to improve its performance in future periods.

#### **5. PERT & CPM**

PERT (programmed evaluation & review technique) & CPM (critical path method) are important network techniques useful in planning & controlling. These techniques, therefore, help in performing various functions of management like planning; scheduling & implementing time-bound projects involving the performance of a variety of complex, diverse & interrelated activities.

Therefore, these techniques are so interrelated and deal with such factors as time scheduling & resources allocation for these activities.

