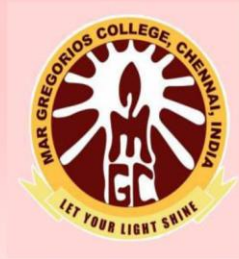


MAR GREGORIOS COLLEGE OF ARTS & SCIENCE

Block No.8, College Road, Mogappair West, Chennai – 37

Affiliated to the University of Madras
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DEPARTMENT OF COMMERCE

SUBJECT NAME: PRINCIPLES OF MANAGEMENT

SUBJECT CODE: CDZ3A

SEMESTER: II

PREPARED BY: PROF. M.NISHANTH

PRINCIPLES OF MANAGEMENT

OBJECTIVES □ To make the students to understand the basic concepts of management. □
To prepare the students to know about the significance of the management in Business.

OUTCOME: □ On the completion of syllabus students will understand the basic concepts and significance of management in business.

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 - Organisation Structure – Span of Control – Departmentalisation – Basis - Meaning and Importance of Departmentalisation. Policies - Meaning and Types – Procedures - Forecasting.

Unit IV: Authority and Responsibility Authority – Definition – Sources – Limitations – Difference between Authority and Responsibility – Delegation of Authority – Meaning – Principles and importance – Centralisation Vs Decentralisation- Leadership & Communication

Unit V: Direction Co-ordination & Control Direction – Nature - Purpose. Co-ordination – Need – Types and Techniques – Requisites for Excellent Co-ordination. Controlling – Meaning – Importance – Control Process.

TEXT BOOK: 1. N.V..S.Raju.- Fundamentals of Management - CENGAGE ,New Delhi. 2. James Campbell Quick, Dbra L.nelson, Preetam Khandelwal - CENGAGE ,New Delhi. 3. Gupta,C.B.ManagementTheory&Practice,SulthanChand&Sons,New Delhi. 4. Prasad,L.M.Principles&PracticeofManagement,SultanChand&Sons,New Delhi.



UNIT-I

What is Management?

Management is essential for an organized life and necessary to run all types of management. Good management is the backbone of successful organizations. Managing life means getting things done to achieve life's objectives and managing an organization means getting things done with and through other people to achieve its objectives.

Definition:

Management can be defined as the **process of administering and controlling the affairs of the organization**, irrespective of its nature, type, structure and size. It is an act of creating and maintaining such a business environment wherein the members of the organization can work together, and achieve business objectives efficiently and effectively.

According to F.W. Taylor, ' Management is an art of knowing what to do when to do and see that it is done in the best and cheapest way '.

Characteristics of Management



- **Universal:** All the organizations, whether it is profit-making or not, they require management, for managing their activities. Hence it is universal in nature.
- **Goal-Oriented:** Every organization is set up with a predetermined objective and management helps in reaching those goals timely, and smoothly.

- **Continuous Process:** It is an ongoing process which tends to persist as long as the organization exists. It is required in every sphere of the organization whether it is production, human resource, finance or marketing.
- **Multi-dimensional:** Management is not confined to the administration of people only, but it also manages work, processes and operations, which makes it a multi-disciplinary activity.
- **Group activity:** An organization consists of various members who have different needs, expectations and beliefs. Every person joins the organization with a different motive, but after becoming a part of the organization they work for achieving the same goal. It requires supervision, teamwork and coordination, and in this way, management comes into the picture.
- **Dynamic function:** An organization exists in a business environment that has various factors like social, political, legal, technological and economic. A slight change in any of these factors will affect the organization's growth and performance. So, to overcome these changes management formulates strategies and implements them.
- **Intangible force:** Management can neither be seen nor touched but one can feel its existence, in the way the organization functions.

Levels of Management



1. **Top-Level Management:** This is the highest level in the organizational hierarchy, which includes **Board of Directors and Chief Executives**. They are responsible for defining the objectives, formulating plans, strategies and policies.
2. **Middle-Level Management:** It is the second and most important level in the corporate ladder, as it creates a link between the top and lower-level management. It includes **departmental and division heads and managers** who are responsible for implementing and controlling plans and strategies which are formulated by the top executives.
3. **Lower Level Management:** Otherwise called as functional or operational level management. It includes **first-line managers, foreman, supervisors**. As lower-level management directly interacts with the workers, it plays a crucial role in the organization

because it helps in reducing wastage and idle time of the workers, improving the quality and quantity of output.

The three management levels form the management hierarchy, that represents the position and rank of executives and managers in the chart.

Functions of Management



- **Planning:** It is the first and foremost function of management, i.e. to decide beforehand what is to be done in future. It encompasses formulating policies, establishing targets, scheduling actions and so forth.
- **Organizing:** Once the plans are formulated, the next step is to organise the activities and resources, as in identifying the tasks, classifying them, assigning duties to subordinates and allocating the resources.
- **Staffing:** It involves hiring personnel for carrying out various activities of the organization. It is to ensure that the right person is appointed to the right job.
- **Directing:** It is the task of the manager to guide, supervise, lead and motivate the subordinates, to ensure that they work in the right direction, so far as the objectives of the organization are concerned.
- **Controlling:** The controlling function of management involves a number of steps to be taken to make sure that the performance of the employees is as per the plans. It involves establishing performance standards and comparing them with the actual performance. In case of any variations, necessary steps are to be taken for its correction.
- **Coordination** is an important feature of management which means the integration of the activities, processes and operations of the organization and synchronisation of efforts, to ensure that every element of the organization contributes to its success.

HENRY FAYOL 14 PRINCIPLES OF MANAGEMENT

Henry Fayol, also known as the ‘father of modern management theory’ gave a new perception of the concept of management.

Name of 14 principles of management given by Henri Fayol

DAD U C USSR ?		O I SEE	
D	Division of work	O	Order
A	Authority and Responsibility	I	Initiative
D	Discipline	S	Subordination of Individual interest to general interest
U	Unity of Command	E	Equity
C	Centralisation and Decentralisation	E	Esprit de Corps
U	Unity of direction		
S	Scalar chain		
S	Stability of Tenure		
R	Remuneration		



1. Division of Work-

Henri believed that segregating work in the workforce amongst the worker will enhance the quality of the product. Similarly, he also concluded that the division of work improves the productivity, efficiency, accuracy and speed of the workers. This principle is appropriate for both the managerial as well as a technical work level.

2. Authority and Responsibility-

These are the two key aspects of management. Authority facilitates the management to work efficiently, and responsibility makes them responsible for the work done under their guidance or leadership.

3. Discipline-

Without discipline, nothing can be accomplished. It is the core value for any project or any management. Good performance and sensible interrelation make the management job easy and comprehensive. Employees good behaviour also helps them smoothly build and progress in their professional careers.

4. Unity of Command-

This means an employee should have only one boss and follow his command. If an employee has to follow more than one boss, there begins a conflict of interest and can create confusion.

5. Unity of Direction-

Whoever is engaged in the same activity should have a unified goal. This means all the person working in a company should have one goal and motive which will make the work easier and achieve the set goal easily.

6. Subordination of Individual Interest-

This indicates a company should work unitedly towards the interest of a company rather than personal interest. Be subordinate to the purposes of an organization. This refers to the whole chain of command in a company.

7. Remuneration-

This plays an important role in motivating the workers of a company. Remuneration can be monetary or non-monetary. However, it should be according to an individual's efforts they have made.

8. Centralization-

In any company, the management or any authority responsible for the decision-making process should be neutral. However, this depends on the size of an organization. Henri Fayol stressed on the point that there should be a balance between the hierarchy and division of power.

9. Scalar Chain-

Fayol on this principle highlights that the hierarchy steps should be from the top to the lowest. This is necessary so that every employee knows their immediate senior also they should be able to contact any, if needed.

10. Order-

A company should maintain a well-defined work order to have a favourable work culture. The positive atmosphere in the workplace will boost more positive productivity.

11. Equity-

All employees should be treated equally and respectfully. It's the responsibility of a manager that no employees face discrimination.

12. Stability-

An employee delivers the best if they feel secure in their job. It is the duty of the management to offer job security to their employees.

13. Initiative-

The management should support and encourage the employees to take initiatives in an organization. It will help them to increase their interest and make them worth.

14. Esprit de Corps-

It is the responsibility of the management to motivate their employees and be supportive of each other regularly. Developing trust and mutual understanding will lead to a positive outcome and work environment.

MANAGEMENT AS AN ART, SCIENCE AND PROFESSION

To decide whether management is science, art or profession, one has to comprehend the characteristics and definitions of science, art and profession and associate them with management definition and traits.

Management as an Art:

Art is the experienced and personal utilisation of subsisting information to accomplish solicited outcomes. It can be procured via education, research and practice. As art is involved with the

personal utilisation of data some kind of inventiveness and creativity is needed to follow the fundamental systems acquired. The essential characteristics of art are as follows:

- **The presence of theoretical knowledge:** Art assumes the presence of specific academic knowledge. Specialists in their particular fields have obtained specific elementary postulates which are appropriate to a specific sort of art. For instance, the literature on public speaking, acting or music, dancing is publicly acknowledged.
- **Personalised application:** The application of this primary information differs from person to person. Art, hence, is a highly personalised notion.
- **Based on custom and creativity:** Art is practical. Art includes the creative practice of subsisting intellectual knowledge. We know that music is based on 7 notes. However, what makes the style of a musician different or distinctive is his performance of these notes in an artistic way that is uniquely his own solution.

Management as a Science:

Science is an organised collection of knowledge that emphasises definite universal truths or the action of comprehensive laws. The central characteristics of science are as follows:

- **The organised body of knowledge:** Science is a precise entity of knowledge. Its systems are based on a purpose and consequence association.
- **Universal validity:** Scientific conventions have global genuineness and application.
- **Systems based on experimentation:** Scientific conventions are originally formed via research and then tested via repeated trial and error under the regulated situations.

Management as a Profession:

The profession can be described as an occupation upheld by specific education and practice, in which entry is limited. A profession has the following features:

- **The well-defined theory of knowledge:** All services are based on a well-defined form of education that can be procured through education.
- **Restricted entry:** The entrance to a profession is defined through an examination or through obtaining an educational degree. For instance, to become a chartered accountant in India an aspirant has to clear a detailed examination regulated by the Institute of Chartered Accountants of India (ICAI).

- **Professional community:** All professions are affiliated to a professional association which controls entry, presents a certificate of training and expresses and supports a system of government. To be qualified to study in India, lawyers have to become members of the Bar Council which monitors and regulates their actions







UNIT-II

PLANNING

INTRODUCTION

It is often remarked that 'Planning is a mere ritual in a fast changing environment'. This statement implies that in a highly turbulent and competitive environment planning becomes an empty academic exercise. Rapid changes in the economic and non-economic environment of business reduce the effectiveness of plans.

DEFINITIONS:

Koontz and O'Donnell – "Planning is deciding in advance what to do, when to do, how to do and who is to do it. It is bridging the gap from where we are to where we want to go."

Alford and Beatt – "Planning is the thinking process, the organised foresight, the vision based on fact and experience that is required for intelligent action."

Louis A. Allen – "Management planning involves the development of forecasts, objectives, policies, programmes, procedures, schedules and budgets."

Characteristics of Planning



1. **Managerial function:** Planning is a first and foremost managerial function provides the base for other functions of the management, i.e. organising, staffing, directing and controlling, as they are performed within the periphery of the plans made.
2. **Goal oriented:** It focuses on defining the goals of the organisation, identifying alternative courses of action and deciding the appropriate action plan, which is to be undertaken for reaching the goals.
3. **Pervasive:** It is pervasive in the sense that it is present in all the segments and is required at all the levels of the organisation. Although the scope of planning varies at different levels and departments.

4. **Continuous Process:** Plans are made for a specific term, say for a month, quarter, year and so on. Once that period is over, new plans are drawn, considering the organisation's present and future requirements and conditions. Therefore, it is an ongoing process, as the plans are framed, executed and followed by another plan.
5. **Intellectual Process:** It is a mental exercise as it involves the application of mind, to think, forecast, imagine intelligently and innovate etc.
6. **Futuristic:** In the process of planning we take a sneak peek of the future. It encompasses looking into the future, to analyse and predict it so that the organisation can face future challenges effectively.
7. **Decision making:** Decisions are made regarding the choice of alternative courses of action that can be undertaken to reach the goal. The alternative chosen should be best among all, with the least number of the negative and highest number of positive outcomes.

PLANNING – NATURE

1. Primary of Planning:

The functions of management include planning, organising, staffing, directing and controlling. Eminent writers may add other new ones to these functions or those which have not been included in these functions.

2. Planning Contributes to Objectives:

There is a close connection between objectives and planning. Planning is based on the objectives. If there is no link between planning and objectives, the former will only be a mental exercise and of no use. Planning contributes to the attainment of objectives.

3. Planning an Intellectual Activity:

Planning includes the selection of the best alternative available and thinking before selection of the best alternative. It involves the ability to foresee mishaps in future which might affect the smooth functioning of an organisation. So, planning is an intellectual activity.

4. Planning Results in Higher Efficiency:

Planning efficiency is measured in terms of input and output ratios. Planning leads to maximum output with minimum expenditure. This input and output relationship is not only determined by money, labour hours and production units but also by the degree of satisfaction available to the individual as well as the group. The high degree of human satisfaction motivates the workers to produce more within the specified time.

5. Planning is a Continuous Process:

Planning does not come to an end with the establishment of a business concern. Planning in other functions is also required. After the establishment of a business concern, certain decisions are taken. Planning is necessary to implement the decisions.

6. Planning is Flexible:

While planning, any one of the available alternatives is selected. Planning selects the best alternative based on certain assumptions. If the assumptions are proved wrong, the selected alternative tends to be an incorrect one.

7. Unity and Consistency:

Every department manager resorts to planning at different times. The planning is related to the achievement of objectives. In other words, managerial actions of different managers are unified in order to achieve the objectives. Policies and procedures of the organisation provide a basis for the consistency of executive behaviour and action in matters of planning.

8. Planning is Common to All:

Planning work is done by every person who is working in a business unit. He may be a managing director or a foreman.

9. Basis for All Managerial Functions:

Planning is found at all levels of management. Top management looks after strategic planning. Middle management looks after administrative planning and the lower level management looks after operational planning.

10. Getting Co-Ordination:

Planning co-ordinates various business activities. Without planning, nothing can be co-ordinated.

11. Considering Limiting Factors:

Every plan is formulated after considering the limiting factors. The limiting factors may be money, skilled labour, quality materials, plant and machinery.

PLANNING – IMPORTANCE

1. Making Objectives Clear:

It makes objectives clean, clear, and specific, it also serves as guide for deciding what action should be taken in present and future conditions.

2. Planning Provides Direction:

Planning helps the organisation to keep on the right path. It provides definite direction to manager to decide what to do and when to do it.

3. It Reduces Risk and Uncertainty:

It helps organisation to predict future events and prepare to take necessary actions against unexpected events. It is helpful in assessing and meeting future challenges. As per view of Peter F. Drucker, “Planning enables a manager to affect rather than accept the future”.

4. Planning is Economical:

As per views of Koontz and O’ Donnell,” Planning substitutes jointly directed effort against uncoordinated, piecemeal activity, an even flow of work for an uneven flow, and deliberate decisions for snap judgments”. The effective plans coordinate organisational work and economical.

5. Planning Provides the Basis for Control:

Planning provides the standard against which the actual performance can be measured and evaluated. There is nothing to control without planning and without proper control. Plans serve as yardsticks for measuring performance.

6. Planning Facilitates Decision Making:

Planned targets serve as the criteria for the evaluation of different alternatives so that the best one may be chosen with the help of planning hasty decisions and random actions can be avoided.

7. Planning Improve Efficiency of Operations:

It is rational activity that leads to efficient and economical operations, planned action is always better than unplanned. Planning makes the task of managing more efficient and effective manner. It helps to minimize the cost of operations and improves the competitive strength of an organisation.

8. Planning Improves Morale:

If the role of employee is cleared and well defines goals, then the employee feels highly motivated and contribute his full potential towards accomplishment of objectives. Planning improves the behavioural climate in the organisation and reduces the friction between departments.

9. Effective Co-Ordination:

According to Koontz and O' Donnell "Plans are selected courses along with the management desires to coordinate group action." The effective coordination integrates the physical and human resources between departments.

10. Planning Encourages Innovation and Creativity:

Planning compels the managers to be creative and innovative all the time. It forces managers to find out new and improved ways of doing things in order to remain competitive and avoid the threats in the environment.

CLASSIFICATION OF PLANS:

1. Based on Importance:

Plans can be strategic, tactical, or operational. Strategic plans are important, future-oriented plans that form the hub of fulfilling the vision. Usually, they concern the entire organisation. Tactical plans are required to implement strategic plans. Examples, are redesigning the shop floor layout or closing a few non-performing outlets of a retail chain.

2. Based on Time:

Plans can be short, medium, or long term. Short term usually refers to plans of one year or less; medium term, to two to five years; and long term, to five to 10 or even 20 years. It depends on the nature of the project. Some projects such as building the Metro in Mumbai or Bengaluru may have a short-term plan that covers 50 km of Metro in five years; a medium- term plan that covers 200 km in 10-12 years, and a long-term plan that covers 300 or 400 km of rail that in 20 to 30 years.

3. Based on Level:

A plan can be called corporate level, business level, or functional level plan. The Tatas entering the airlines business is an example of corporate-level plan and Precision Connectors becoming an OEM is an example of a business-level plan. Functional-level plans are made by departments, for example, a plan on how the marketing department will achieve its goals.

4. Based on Formality:

A plan can be formal or informal. It is formal when planning is done as per the defined steps and documented, and informal when the documentation is not very rigorous.

5. Based on Approach:

A plan can be called proactive when it is meant to meet an anticipated situation. For instance, a compensation plan based on a three-year salary negotiation is a proactive plan to ensure industrial peace. If the same compensation plan came up as a result of a flash strike, it would be a reactive plan. The former leads to growth and the latter helps to regain balance and to ensure survival.

STEPS INVOLVED IN PLANNING PROCESS



Step # 1. Perception of Opportunities:

Perception of opportunities is not strictly a part of the planning process. But this awareness of opportunities in the external environment as well as within the organisation is the real starting point for planning. It is important to take a preliminary look at possible future opportunities and see them clearly and completely.

Step # 2. Establishing Objectives:

This is the second step in the planning process. The major organisational and unit objectives are set in this stage. This is to be done for the long term as well as for the short range. Objective specify the expected results and indicate the end points of what is to be done, where the primary emphasis is to be placed and what is to be accomplished by the various types of plans.

Step # 3. Planning Premises:

After determination of organisational objectives, the next step is establishing planning premises that is



the conditions under which planning activities will be undertaken. Planning premises are planning assumptions the expected environmental and internal conditions.

Step # 4. Identification of Alternatives:

The fourth step in planning is to identify the alternatives. Various alternatives can be identified based on the organisational objectives and planning premises. The concept of various alternatives suggests that a particular objective can be achieved through various actions.



Step # 5. Evaluation of Alternatives:

The various alternative course of action should be analysed in the light of premises and goals. There are various techniques available to evaluate alternatives. The evaluation is to be done in the light of various factors. Example, cash inflow and outflow, risks, limited resources, expected pay back etc., the alternatives should give us the best chance of meeting our goals at the lowest cost and highest profit.

Step # 6. Choice of Alternative Plans:

This is the real point of decision-making. An analysis and evaluation of alternative courses will disclose that two or more are advisable and beneficial. The fit one is selected.

Step # 7. Formulation of Supporting Plan:

After formulating the basic plan, various plan are derived so as to support the main plan. In an organisation there can be various derivative plans like planning for buying equipment, buying raw materials, recruiting and training personal, developing new product etc. These derivative plans are formulated out of the basic or main plan and almost invariably required to support the basic plan.

Step # 8. Establishing Sequence of Activities:

After formulating basic and derivative plans, the sequence of activities is determined so those plans are put into action. After decisions are made and plans are set, budgets for various periods and divisions can be prepared to give plans more concrete meaning for implementation.

Advantages of planning

Planning helps the organisation achieve its objectives early. In this way, planning helps the organisation in many ways.

Some of the advantages of planning are briefly explained below:

- 1. Better utilisation of resources** – Planning decides what to produce and how to produce. Then, there is the possibility of utilising the resources effectively.
- 2. Helps in achieving objectives** – Planning sets goals or objectives of an organisation. This gives effective direction to the control of employees of the organisation. In this way, planning helps the organisation accomplish the pre-determined goals or objectives.

3. Economy in operation – Unnecessary production, ineffective utilisation of resources and unnecessary activities of an organisation are eliminated through planning. This results in the economy of operations.

4. Minimises future uncertainties – The uncertain future increases the importance of planning. Planning foresees the changes and uncertainties taking shape in future and devices methods to face them. Some future uncertainties are thus, minimised through planning.

5. Improves competitive strength – Competitive strength is improved by adding new line of products, changes in quality and size of the product, expansion of plant capacity and changes in methods of work. These are achieved through planning.

6. Effective control – Control without planning is an impossible one. Control is used only when there is a well-chalked out plan. So, planning provides a basis for controlling.

7. Motivation – A well-prepared plan encourages the employees of an organisation and gives them a sense of effective participation. Planning motivates the employees as to what the organisation wants to achieve and defines it to the employees.

8. Co-operation – Planning helps the management pulls the individual to achieve common objectives or goals. Planning provides well-defined objectives, unity of direction, well-published policies, procedures and programmes. All these facilitate to get co-ordination, which consequently avoids duplication of work and interdepartmental conflicts.

9. Promote growth and improvement – Planning sets a standard to control purpose. So, useless and aimless activities are avoided. It leads to the growth and improvement of an individual and the organisation.

10. Develops rationality among management executives – Disciplined thinking of management executives is geared up through formal planning. Management executives take action only after putting their thoughts in blueprint. In this way, planning brings rational thinking and approach among management executives.

11. Prevents hasty judgment – We can analyse a problem through a plan and consider the alternatives before taking a sound decision. It is possible to plan in advance as to what will be done and how it will be done. This process avoids hasty judgment.

12. Reduces red-tapism – junior most executive can act according to pre-planned decisions. There is no need for him to get any fresh permission for his action. It saves time, energy and cost and reduces red-tapism.

13. Encourages innovative thought – A good plan should provide a basis for new thinking in any individual. It seeks a way to encourage people to co-ordinate and to achieve common objectives.

According to D.E. Hussey “A good planning process will provide avenues for individual participation, will throw up more ideas about the company and its environment, will encourage an atmosphere of frankness and corporate self-criticism and will stimulate managers to achieve more.”

14. Improves ability to cope with change – Planning helps managers improve their ability to cope with changes but it cannot prevent changes from happening. This creates an awareness among the managers regarding the incidence of change.

15. Creates forward looking attitude in management – Managers may lose their prosperity facing day to day problems. Planning helps a manager to become more prosperous and creates a forward looking attitude in him, thus such a planning ensures stability to management.

16. Development of efficient methods – Planning helps the management develop efficient methods and procedures of action.

17. Delegation of authority facilitated – A well-prepared plan will always facilitate the delegation of authority.

18. Anticipation of crisis – Careful planning will avoid the crisis which is likely to occur. In this way, management can reduce the internal organisational disturbances.

Planning – 9 Major Limitations of Planning

Planning has various limitations. This is why it becomes less effective in most cases, if not completely ineffective.

The following points are observed in this context:

1. Lack of Flexibility:

Plans lay down a specified course of action regarding the future, which cannot be changed even if situations so demand. This often proves to be costly for the organisation, particularly when there is need for a change in the actual course of action. And this is why some progressive firms now rely on contingency planning. The object is to overcome crisis situations as and when they arise.

2. Lack of Creativity and Initiative:

Due to inherent rigidity of the plans managers lack the initiative to do new things or to venture out in new directions to cope with changes in the environment. So even advance thinking by managers does not lead to the generation of new ideas. And creative thinking or creativity is out of question.

3. Environmental Uncertainty:

At times planning loses its practical relevance due to various uncertainties surrounding the environment. So managers cannot fully rely on existing plans. They have to revise or modify existing plans or change their strategies to get the desired results even in adverse situations. For instance, a company might be required to revise its advertisement budget to maintain competitive parity, i.e., to match the efforts of its major and nearest rivals.

4. Time Lag:

Planning which involves several steps such as – defining objectives, collecting and analysing data and choosing from alternatives is a time-consuming and lengthy exercise. It loses effectiveness due to delay in taking necessary action. In other words, planning loses its relevance in situations which demand quick decision(s) and immediate action(s).

5. Costly Process:

Planning is also a costly exercise. Since management is a valuable resource, the cost of planning varies directly and proportionately with the time managers devote to planning. If managers do not devote sufficient time to planning, their decisions may prove to be impractical or wrong.

6. No Guarantee for Action:

A plan is just a programme of action regarding the future, not a guarantee for action. The success of planning depends on its effective implementation. The effectiveness of planning depends on the outlook and the actual behaviour of the planners. Planning makes managers feel secured. So they just want to maintain the status quo. They just try to fulfill the requirements of existing plans rather than improving their performance or venturing out in new directions.

7. Inaccurate Forecast:

Planning is based on the timely availability of reliable and complete information and accuracy of forecasts of demand, price and technology. If forecasts are based on incomplete information or if the forecasting method is not reliable, then plans are bound to be ineffective or likely to fail.

8. Time Constraint:

Planning requires a manager to set aside necessary time to do it. Managers who have very busy schedules may react adversely when superiors order them to prepare a 5-year plan for their work unit. The reason is that they are expected to do this and still find time to meet the current year's target. However, the time for planning has to be found. Otherwise, managers will just react to events.

9. Internal and External Constraints:

In spite of Internet connections and speedy access to computer databases, every manager cannot use available information to make an intelligent decision. The caliber of employees he needs may not be immediately available at the salary he is willing to pay. A competitor may quickly enter his market with a more attractive product. A change in buying habits of consumer may occur.

DECISION MAKING

WHAT IS DECISION MAKING ?

Decision-making is an integral part of modern management. Essentially, Rational or sound decision making is taken as primary function of management. Every manager takes hundreds and hundreds of decisions subconsciously or consciously making it as the key component in the role of a manager. Decisions play important roles as they determine both organizational and managerial activities.

Definition of Decision Making

According to the Oxford Advanced Learner's Dictionary the term decision making means - the process of deciding about something important, especially in a group of people or in an organization.

Trewatha & Newport defines decision making process as follows; **“Decision-making involves the selection of a course of action from among two or more possible alternatives in order to arrive at a solution for a given problem”**.



A lot of time is consumed while decisions are taken. In a management setting, decision cannot be taken abruptly. It should follow the steps such as

1. Defining the problem
2. Gathering information and collecting data
3. Developing and weighing the options
4. Choosing best possible option
5. Plan and execute
6. Take follow up action

FEATURES OR CHARACTERISTICS OF DECISION-MAKING:

- **Selective:** It is a selective process in which the optimal alternative is opted, among the various alternatives. The selection of the alternative is done, only after evaluating all the alternatives against the objectives.
- **Cognitive:** As the decision making encompasses the application of intellectual abilities, such as analysis, knowledge, experience, awareness and forecasting, it is a cognitive process.
- **Dynamic:** It is a dynamic activity in the sense that a particular problem may have different solutions, depending upon the time and circumstances.
- **Positive or Negative:** A decision is not always positive, sometimes even after analysing all the points a decision may turn out as a negative one.
- **Ongoing process:** We all know that a company has perpetual succession and various decisions are taken daily by different levels of management to keep the firm going. These decisions are taken, keeping in mind the objectives of the organization.
- **Evaluative:** Evaluation of the possible alternatives using critical appraisal methods, is a part of the decision-making process.

It is a problem-solving activity which produces a solution considered as the most favourable and appropriate one, as per the situation.

PROCESS OF DECISION MAKING

Decision making involves the identification and selection of the alternatives on the basis of the values, preferences, requirements, and beliefs. To begin the process objectives must be defined, classified and arranged in the order of their importance.



1. **Defining the problem:** The first and foremost step in the decision-making process is to clearly identify the problem for which a decision has to be taken.
2. **Collecting information:** Gathering the relevant information concerning the problem is the next step in the process. For this purpose, an internal assessment needs to be done, while seeking external sources for the information.
3. **Identifying alternatives:** After collecting the pertinent information, you will come across the multiple courses of action which can be taken to solve the given problem.
4. **Weighing the alternatives:** On the basis of different parameters such as risk, economy for effort, timing, and limitation of resources weigh each alternative and check how accurately it resolves the issue and what are its consequences.
5. **Selecting the best possible option:** After weighing each and every alternative, the next step in this process is to select the best possible course of action, or a combination thereof. The alternative which is able to attain the objectives is regarded as the tentative decision, which is evaluated for possible consequences.
6. **Planning and Execution:** To convert the decision into action, the course of action so selected is taken, along with that supplementary actions are taken to block negative consequences (if any).
7. **Taking the follow up of the action:** In the last step, the outcome of the decision is reviewed and evaluated as to whether it is capable of resolving the problem.

A decision passes through different stages, so as to solve the problem at hand. The solution depends on how effectively the decision is being made and implemented. An ideal decision is action-oriented, goal-directed and efficient.

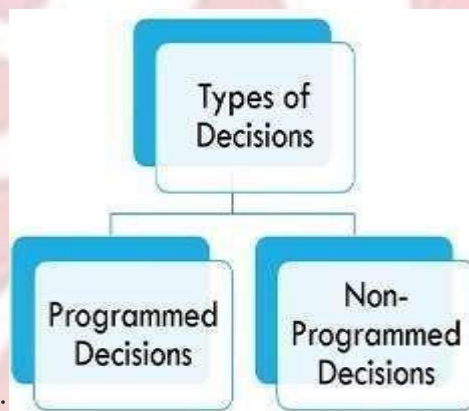
Problems in Decision Making

There are a number of problems which arise at the time of decision making, which are:

- Accuracy
- Timing
- Communication
- Participation
- Implementation

A decision acts as a direction to the others, as to what can be done or what to avoid in a particular situation.

Types of Decisions



1. **Programmed Decisions:** The decisions taken by way of standard operating procedures or another method. The situations are routine and recurring in nature. These are effective for solving day to day issues.
2. **Non-programmed Decisions:** These are unique and once in a lifetime decisions, as these are not structured. To make such decision logical reasoning and judgement are required.

Intuition and Reasoning are the two determinants of a decision, wherein intuition is all about the gut feeling or instinct of the decision-maker concerning the courses of action, while the reasoning means using the logical thinking, facts and figures to decide something.

UNIT-IV

AUTHORITY

Authority means a special permission which is obtained by a person from his higher officer and on the basis of that a person gets the rights to do the work in the organisation. It is positional and comes with the territory. It is key to managerial functions. No any person can perform his duties with full responsibility, without authority.

Authority– Definitions

- (1) “Authority is the right to give order and the power to exact obedience”. -Henri Fayol
- (2) “Authority is the power to command, to act or not to act in a manner deemed by the possessor of the authority to further enterprise or departmental performance”. -Koontz and O'Donnell

CHARACTERISTICS OF AUTHORITY

1. Basis of Getting Things Done:

Authority gives a right to do things in an organisation and affect the behaviour of other workers of the organisation. It leads to the performance of certain activities for the accomplishment of the defined objectives automatically.

2. Legitimacy:

Authority implies a legal right (within the organisation itself) available to superiors. This type of right arises due to the tradition followed in an organisation, custom or accepted standards of authenticity.

The right of a manager to affect the behaviour of his sub-ordinates is given to him on the basis of an organisational hierarchy.

3. Decision-Making:

Decision-making is a pre-requisite of an authority. The manager can command his subordinates to act or not to act. This type of decision is taken by the manager regarding the functioning of an office.

4. Implementation:

Implementation influences the personality factors of the manager, who is empowered to use authority. The subordinates or group of subordinates should follow the instructions of the manager regarding the implementation of decisions. The personality factor of one manager may differ from another manager.

The following features of authority:

- (a) It is the legitimate right of an individual.
- (b) It allows the position holder to decide things.
- (c) It implies the capacity to get compliance.
- (d) It is exercised to influence the behavior of subordinates in a certain manners.
- (e) It flows from top to bottom in the organisation.
- (f) It is supreme coordinating force because it binds together different individuals working in the organisation.
- (g) It is used to achieve organisational objectives.
- (h) It is differentiated from power. Power is the capacity to influence others' while authority is the right to influence others.

Responsibility in Management

Meaning:

Responsibility refers to an obligation to do something.

It is the duty of the subordinate to perform organisational tasks, functions or activities assigned to him. Authority and responsibility go side by side. When authority is delegated then some responsibility for getting the assigned task is also fixed. One can delegate authority but not responsibility.

Definition:

“Responsibility is the obligation of a subordinate to carry out the duties assigned to him.”

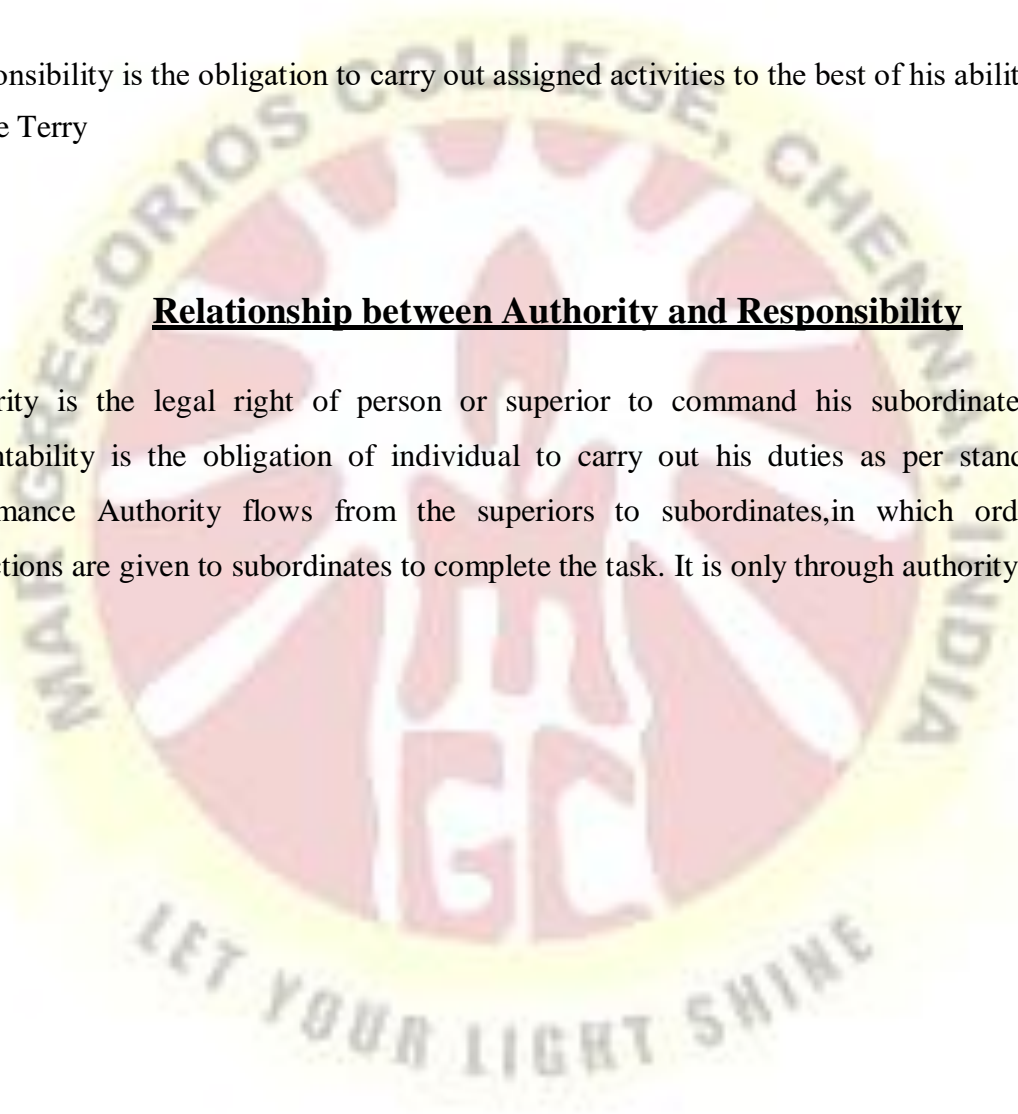
—Knootz and O’Donnel

“By responsibility we mean the work or duties assigned to a person by virtue of his position in the organisation. It refers to the mental and physical activities which must be performed to carry out a task or duty. That means every person who performs any kind of mental or physical effort as an assigned task has responsibility. —Allen

“Responsibility is the obligation to carry out assigned activities to the best of his abilities.” — George Terry

Relationship between Authority and Responsibility

Authority is the legal right of person or superior to command his subordinates while accountability is the obligation of individual to carry out his duties as per standards of performance Authority flows from the superiors to subordinates, in which orders and instructions are given to subordinates to complete the task. It is only through authority, a



manager exercises control. In a way through exercising the control the superior is demanding accountability from subordinates. If the marketing manager directs the sales supervisor for 50 units of sale to be undertaken in a month. If the above standards are not accomplished, it is the marketing manager who will be accountable to the chief executive officer. Therefore, we can say that authority flows from top to bottom and responsibility flows from bottom to top. Accountability is a result of responsibility and responsibility is result of authority. Therefore, for every authority an equal accountability is attached.

Differences between Authority and Responsibility

Authority	Responsibility
It is the legal right of a person or a superior to command his subordinates.	It is the obligation of subordinate to perform the work assigned to him.
Authority is attached to the position of a superior in concern.	Responsibility arises out of superior-subordinate relationship in which subordinate agrees to carry out duty given to him.
Authority can be delegated by a superior to a subordinate	Responsibility cannot be shifted and is absolute
It flows from top to bottom.	It flows from bottom to top.

Principles of Delegation:

The following principles that serve as guidelines for effective delegation of authority are given below:

1. Functional Clarity:

The functions to be performed, the methods of operations and the results expected must be clearly defined. The authority delegated must be adequate to ensure that these functions are well performed.

2. Matching Authority with Responsibility:

Generally authority and responsibility are highly interconnected. So, authority should be delegated as to be equal to responsibility, consigned to the worker. Authority should be adequate and should not only match the duties to be performed but also the personal capabilities of the subordinate.

3. Unity of Command:

The “Unity of Command” means a subordinate should be commanded by one superior only. In this connection a subordinate should be assigned duties and delegated authority by only one superior and he should be accountable for the performance of the assigned duties and exercise of the delegated authority.

In other words, a subordinate should be responsible to only one superior who is delegating the authority to the subordinate.

4. Principle of Communication:

A misunderstood responsibility can be very dangerous. A general authority can be easily misused. Accordingly, both the responsibility and authority must be clearly specified, openly communication must be continuously kept open for issuing directions as well as for receiving feedback.

5. Responsibility not Delegatable:

Authority can be delegated, but responsibility cannot be delegated. A manager cannot turn a blind eye to how the assigned duties are performed, and how the delegated authority is exercised. The ultimate responsibility for the performance of duties and exercise of delegated authority remains with him.

6. Limits to Authority to be Well Defined:

A manager cannot properly delegate authority unless he fully knows what his own authority is. To avoid confusion in this respect, there should be written manuals and orders to indicate the limits of authority and area of operations of each manager.

7. Principle of Management by Exception:

Management should delegate the authority and responsibility for routine operations and decision making to subordinates, but must retain such tasks for themselves for which they alone

are uniquely qualified. On the other hand, the subordinates must make decisions and take actions wherever they can and should only refer matters of such nature to their superiors, which are unique, and outside their domain of authority.

This practice saves valuable time of top management, which can be utilised, for more important policy matters. Also by trying to solve most of the problems by themselves, the subordinates prepare themselves for higher challenges and responsibilities.

Process of Delegation:

The step, which is followed when delegating authority, is the process of delegation. Normally four steps are used in the process of delegation. It can be shown in the form of diagram.



FIGURE 2 : PROCESS OF DELEGATION

1. Assignment of Tasks:

The first step in this process is to determine clearly what the subordinates are supposed to do. Then the capabilities of each subordinate should be considered to match them with the assigned duties. The tasks should be distributed in such a manner that the subordinates are not unnecessarily overburdened and that each one is capable of efficiently completing the assigned task

UNIT-V



Directing is the heart of management function. All other functions of management such as planning, organizing, and staffing have no importance without directing. [Leadership](#), motivation, [supervision](#), communication are various aspects of directing. Let us study the importance and principles of directing. Directing refers to a process or technique of instructing, guiding, inspiring, counselling, overseeing and leading people towards the accomplishment of organizational goals.

NATURE OF DIRECTION:

1. Process of action:

Direction initiates action at top level of the organisation and flows down the hierarchy. It follows that subordinates have to be directed by their superiors only.

2. On-going process:

Directing is not an intermittent function of management. It is a process of continuously guiding the behaviour of others.

3. Not supported by rules:

Since the behaviour of people cannot be predicted through mathematical or statistical tools, the function of directing is based on behavioural sciences. It is not supported by rules or regulations.

4. Directing is situational:

Managers influence the behaviour of employees according to situation. The directions change from situation to situation. Factors like environment, nature of workers, group behaviour, attitude towards work etc. affect directing.

5. Behavioural science:

Since directing deals with human behaviour, managers study different aspects of human psychology to understand how to influence their behaviour.

6. Understand group behaviour:

No person can work alone. While working in the organisation, he becomes part of the informal groups (formed on the basis of common interests of individuals). The behaviour of a person is different as an individual and as member of the group. It is, therefore, essential that managers understand the nature of group behaviour in order to direct effectively.

7. Participative:

Direction initiates action on the part of employees. To ensure greater participation of workers in carrying out the organisational activities, they should take part in the meetings to discuss various direction policies.

8. Pervasive:

Managers at all levels in all functional areas direct their subordinates. Top managers guide middle and lower level managers who further direct supervisors and workers. It is performed at every level of management.

IMPORTANCE OF DIRECTION:

1. Initiates action:

Direction initiates action that motivates people to convert the resources into productive outputs. It gives substance to managerial functions of planning, organising, staffing and controlling. People learn to manage the resources in the most effective way that results in their optimum utilisation.

2. Creates a sound work environment:

If directions are issued in consultation with employees (participative), it creates an environment of understanding where people work to their maximum potential, willingly and enthusiastically to contribute towards organisational goals.

3. Develops managers:

Managers who are personally motivated to work can also direct others to work. Managers develop their skills and competence to direct others to follow. If managers and employees work in harmony, it promotes skills of the employees and develops managers to assume responsibilities of higher levels in the organisation.

Motivation, leadership and communication help in bringing people together. They exploit employees' talent to the fullest and also provide scope for their skill enhancement. This is beneficial for both the employees and organisation. Direction, thus, prepares future managers.

4. Behavioural satisfaction:

Since direction involves human behaviour and psychology, employees feel behaviourally satisfied and personally inspired to achieve organisational goals.

5. Increase in productivity:

Personally satisfied employees contribute towards output and efficiency of the organisation.

Direction gets maximum out of subordinates by exploiting their potential and increasing their capabilities to work.

6. Achieves coordination:

Directing aims at continuous supervision of activities. It achieves coordination by ensuring that people work towards planned activities in a coordinated manner. It integrates the actions of employees that increases their understanding of mutual interdependence and their collective effort to achieve the organisational goals. It also helps to harmonies individual goals with organisational goals.

7. Facilitates control:

Coordination brings actual performance in conformity with planned performance. The controlling function is, thus, facilitated through effective direction.

8. Facilitates change:

Direction helps in introducing change in the organisation structure and adapting the organisation structure to external environment. Organisation operates in the society as an open system and has to accept social changes for its survival and growth. People are not easily receptive to changes. Direction helps in changing attitude of people towards change and accepts it as a way of life.

9. Facilitates growth:

Organisation open to change is responsive to growth. Direction harmonizes physical, financial and human resources, balances various parts of the organisation and creates commitment amongst people to raise their standards of performance.

Techniques of Directing:

1. Consultative Direction:

Under this technique, superior, though vested with powers to take decision independently, does not take decision without consulting with his subordinates. The superior wins the cooperation of all the subordinates by taking their inputs into his decisions. Thus subordinates feel committed and motivated to carry out such decisions made out of their viewpoints.

2. Free-Rein Direction:

, subordinates are empowered to take decisions independently. The superior limits himself to issuing guidelines. The execution of the entire task is left to subordinates. The subordinates are held accountable for the results. This type of direction can be practiced only when subordinates are highly educated, experienced, capable and competent. It is self-direction by subordinates.

3. Autocratic Direction:

Superior commands the subordinates to accomplish a set of goals. He does not take into his decision-making the views, opinions and suggestions of subordinates. The superior gives a clear direction and precise orders to his subordinates.

4. Supervision:

Supervision is the process of overseeing the subordinates at work. Supervisor gives a precise, detailed and clear cut instruction to subordinates. The quality of supervision depends on the strength of the subordinates working under him. The lesser the strength of subordinates, the more effective is supervision and vice versa.

Supervision is undertaken across the levels of management. Besides, supervisor should possess certain qualities to exercise effective supervision. Similarly, there are certain factors like skill, leadership, position, group cohesiveness, cordiality or relations, etc., that enable the supervisor to exercise effective supervision.

5. Motivation:

Merely issuing orders and instructions may not help to accomplish any task effectively.

Motivation is the process of stimulating such forces like desires, wishes and wants that impel human beings to achieve the desired action. Motivation may be monetary and non-monetary. The impact of non-monetary motivation is supposed to last longer than monetary motivation. Motivation is also classified into positive and negative motivation. While positive motivation is to be reinforced, the negative motivation should be applied as a last resort. The type of motivation varies according to nature of industry. Without motivation, the energy, efficiency and morale of the employees cannot be sustained.

6. Leadership:

Leadership is defined to be the ability of a manager to influence his subordinates to accomplish the goals. A leader is supposed to possess certain qualities to exercise effective leadership. A leader does many functions like formulation of objectives, representing the undertaking, initiating action, influencing followers, etc.

There are different styles of leadership practised by leaders. Of course all the types yield effect. But the type of leadership style to be adopted depends on the nature of subordinates and the context. Besides, leadership should have intelligence, good communication skill, initiative, flexibilities, etc.

7. Communication:

Communication enables a group to think together, see together and act together. It becomes indispensable for passing on decisions to those engaged in executing them. Where communication is not understandable to the receiver, direction becomes ineffectual. Face to face communication and feedback system is essential for smooth operation of business. There

are certain principles like clarity, preciseness, concreteness etc., to be followed for effective communication.

The flow of communication is in all directions in any organization. They are vertical, horizontal, lateral and diagonal flow of communication. There may arise certain barriers to the flow of communication. Organizations have to take effort to de-clog the blockage in the communication process so as to ease the flow of communication. Besides channels of communication, verbal, written and gestural communications are used to convey the information to those intended. Without communication, nothing can be achieved in the organization.

8. Delegation:

Delegation is the process of entrusting a part of work to be done by a superior to his subordinate. Without delegation, an organization cannot grow even an inch. In the absence of delegation, superior is overloaded with excessive work. Besides, specialization concept warrants delegation. It helps the executive to utilize their productive time optimally. The subordinate to whom the authority is delegated is responsible to the delegator. In the same vein, the delegator is ultimately responsible for the work executed by the delegatee.

9. Orders:

Orders are directives issued by superiors to subordinates directing the latter to act in a certain manner.

The order should be:

- i. Reasonable and enforceable over subordinates.
- ii. Clearly defined and understandable.
- iii. Complete in all respects.
- iv. Win acceptance and cooperation of subordinates.
- v. Preferably in written form.
- vi. Appropriately toned.
- vii. Time line prescribed.

Orders may be oral, written, generic, procedural or operational.

10. Orientation:

a. Orientation of New Employees:

All new hires should be given orientation about their rights, duties, responsibilities, superior-subordinate, relationship, profile of the organization, organization structure, performance evaluation, career opportunities, fundamental rules put in place in the organization, etc.

b. Continuing Orientation:

Wherever goals are revised, new technique is absorbed; new machinery is put in place, and newer development unfolds in a particular area of specialization; existing employees are to be

enlightened thereabout through training, bulletins, news wheels, staff meetings, updates, committee meetings, conferences, etc.

COORDINATION

Concept

Coordination has become necessary. There must be coordination among the individuals or group of individuals either working in the same department or in various departments of the firm to whom separate segmented jobs were assigned.

Coordination is an important function of management. It is very important that without which other managerial functions cannot be performed effectively. It is the continuous and never ending process in management because it is achieved through the performance of functions. And, the functions are dynamic and change over the period of the period of time and thus, coordination is also dynamic, according to change in functions, the coordination also changes. Coordination is always related to group efforts and not to individual effort. It is the orderly arrangement of group efforts for achieving common goals. Similarly, it is a process of making relation and cooperation through which some common goals could be achieved.

Definitions

Henry Fayol-"coordination is to harmonise all the activities of a common in order to facilitate its working and its success."

E.F.L. Brech-"coordination is balancing and keeping together the team by ensuring a suitable allocation of tasks to the various members and seeing that tasks are performed with due harmony among the members".

George R. Terry-"coordination deals with the task of blending efforts in order to ensure successful attainment of an objectives."

Importance of coordination

Coordination is undoubtedly essential at every level of management and in each management functions for achieving the corporate goals. It has become so important that beyond this, management cannot see with guarantee and assurance that the corporate objectives could be achieved. It means both the smooth and efficient working and achievement of organizational goals are dependent upon sound coordination.

The importance of coordination has been emphasized by Chester Bernard very excellently

stating, "The quality of coordination is the crucial factor in the survival of the organization."



Thus, based upon above arguments, some of the importance can be described here under:

1. *Unity of actions*: The complexities in many aspects have increase as the size of the organization has been increased. To achieve goals, specialization and division of labour and



work are also applied, and large number of workers are also provisioned. Naturally, their interests and goals may differ. Now, question arises to reconcile the interest and goals of individuals and organization. The action should be unified so as to achieve the goals.

2. *Total accomplishment:* Group achievement is greater in all respect than that of individual achievement. If the efforts of employees are closely coordination, naturally, their total accomplishment will be for greater than the sum total of individual achievements. It increases total production and helps in preventing duplication.

3. *Efficiency and economy:* Due to coordination the employees perform the job effectively and efficiently. Thus, it promotes efficiency in work which may result in economy in operations. More to this, coordination helps the organization to avoid delays and control duplication of work, thus both may cause of increasing efficiency and achieve economy.

4. *Good personal relations:* Through the application of coordination, management creates good and excellent human relations. The conflicts, disagreements, disputes and other similar fighting among different persons, between line and staff can be settled, suppressed, eradicated and resolved by mutual discussions. Better personal relations can be developed which, in turn, will boost the workers morale high.

5. *Key to managerial functions:* The managerial functions can be performed well only with the help of coordination. Coordination is the key to planning, organizing, leading and controlling due to which the related works are performed effectively.

Controlling

Definition: Control is a primary goal-oriented function of [management](#) in an organisation. It is a **process of comparing the actual performance with the set standards of the company** to ensure that activities are performed according to the plans and if not then taking corrective action.

Koontz and O'Donnell:

“The measurement and correction of the performance of activities of subordinates in order to make sure that enterprise objectives and plans devised to attain them are being accomplished.” The accomplishment of organizational goals is the main aim of every management. The performance of subordinates should be constantly watched to ensure proper implementation of

plans. Co-ordination is the channel through which goals can be achieved and necessary corrective actions may be taken if things are not going as per the objectives.

Henry Fayol:

“In an undertaking control consists in verifying whether everything occurs in conformity with the plan adopted, the instructions issued and principles established.” It has to point out weaknesses and errors in order to rectify them and prevent recurrence. It operates on everything things, people, actions, etc.

Characteristics of Control:

1. Managerial Function:

Control is one of the managerial functions. It is not only the function of chief executive but is the duty of every manager. A manager is responsible for whatever work is assigned to him. He will control the performance of his subordinates for ensuring the accomplishment of goals. Control is mainly the function of line organization but manager may ask for data from staff personnel.

2. Forward Looking:

Control is forward looking. Past is already gone thus, cannot be controlled. Measures can be devised to control future activities only. Past provides a base for determining controls for future. The manager will study the past performance in order to find out the reasons for low results. A corrective action will be taken to ensure that work in future is not adversely affected. Take for example, production for a particular month is low than the standard. Manager will not be able to do anything about the past performance. However, he may study the reasons for low production. He should take appropriate steps so that the same mistakes are not repeated and production will not suffer in future.

3. Continuous Activity:

Control is regularly exercised. It is not an activity in isolation. The manager will have to see that his subordinates perform according to plans at all the time. Once the control is withdrawn it will adversely affect the work. So control will have to be exercised continuously.

4. Control is Related to Planning:

Planning is the first function of management while control is the last. Control cannot be exercised without planning. First the objectives are set and then efforts are made to see whether these are accomplished or not. Whenever there is a laxity in performance or things are not happening as per the plans then corrective measures are taken immediately. So planning provides a base for controlling.

5. Essence of Control is Action:

Whenever performance is not as per the standards the immediate action is needed to correct the things. The purpose of control will be defeated if corrective action is not taken immediately. If the sales are less than the standard set for marketing department then steps will be taken to ensure that performance is not low in future. If no such steps are taken then there will be a lack of control. In practice, immediate action is the essence of control..

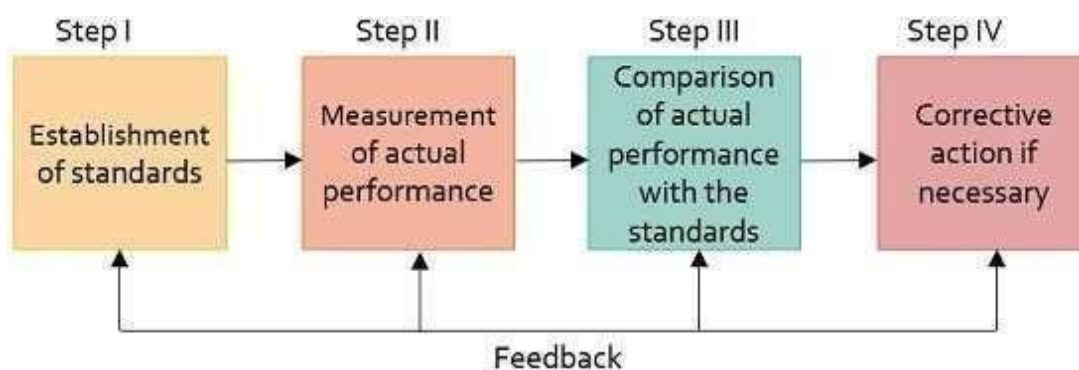
Features of Controlling

- An effective control system has the following features:
- It helps in achieving organizational goals.
- Facilitates optimum utilization of resources.
- It evaluates the accuracy of the standard.
- It also sets discipline and order.
- Motivates the employees and boosts employee morale.
- Ensures future planning by revising standards.
- Improves overall performance of an [organization](#).
- It also minimises errors.

Controlling and [planning](#) are interrelated for controlling gives an important input into the next planning cycle. Controlling is a **backwards-looking function** which brings the management cycle back to the planning function. Planning is a forward-looking process as it deals with the forecasts about the future conditions.

Process of Controlling

Control process involves the following steps as shown in the figure:



- **Establishing standards:** This means setting up of the target which needs to be achieved to meet organisational goals eventually. Standards indicate the criteria of performance.
Control standards are categorized as quantitative and qualitative standards. **Quantitative standards** are expressed in terms of money. **Qualitative standards**, on the other hand, includes intangible items.
- **Measurement of actual performance:** The actual performance of the employee is measured against the target. With the increasing levels of management, the measurement of performance becomes difficult.
- **Comparison of actual performance with the standard:** This compares the degree of difference between the actual performance and the standard.
- **Taking corrective actions:** It is initiated by the manager who corrects any defects in actual performance.

Controlling process thus regulates companies' activities so that actual performance conforms to the standard plan. An effective control system enables managers to avoid circumstances which cause the company's loss.

Importance of Control:

The control function helps management in various ways. It guides the 'management in achieving pre-determined goals. The efficiency of various functions is also ensured by the control process. The shortcomings in various fields are also reported for taking corrective measures.

1. Basis for Future Action:

Control provides basis for future action. The continuous flow of information about projects keeps the long range planning on the right track. It helps in taking corrective action in future if the performance is not up to the mark. It also enables management to avoid repetition of past mistakes.

2. Facilitates Decision-making:

Whenever there is deviation between standard and actual performance the controls will help in deciding the future course of action. A decision about follow up action is also facilitated.

3. Facilitates Decentralization:

Decentralization of authority is necessary in big enterprise. The management cannot delegate authority without ensuring proper controls. The targets or goals of various departments are used

as a control technique. If the work is going on satisfactorily then top management should not worry. The 'management by exception' enables top management to concentrate on policy formulation. Various control techniques like budgeting, cost control, pre action approvals allow decentralization without losing control over activities.

4. Facilitates Co-ordination:

Control helps in coordination of activities through unity of action. Every manager will try to co-ordinate the activities of his subordinates in order to achieve departmental goals. Similarly, chief executive will co-ordinate the functioning of various departments. The controls will act as checks on the performance and proper results will be achieved only when activities are coordinated.

5. Helps in Improving Efficiency:

The control system helps in improving organizational efficiency. Various control devices act as motivators to managers. The performance of every person is regularly monitored and any deficiency is corrected at the earliest.

6. Psychological Pressure:

Controls put psychological pressure on persons in the organization. Everybody knows that his performance is regularly evaluated and he will try to improve upon his previous work. The rewards and punishments are also linked with performance. The employees will always be under pressure to improve upon their work. Since performance measurement is one of the important tools of control it ensures that every person tries to maximize his contribution.

Types of control

There are three types of control viz.,

1. **Feedback Control:** This process involves collecting information about a finished task, assessing that information and improvising the same type of tasks in the future.
2. **Concurrent control:** It is also called real-time control. It checks any problem and examines it to take action before any loss is incurred. Example: control chart.
3. **Predictive/ feedforward control:** This type of control helps to foresee problem ahead of occurrence. Therefore action can be taken before such a circumstance arises.

In an ever-changing and complex environment, controlling forms an integral part of the organization.

Advantages of controlling

- Saves time and energy
- Allows managers to concentrate on important tasks. This allows better utilization of the managerial resource.
- Helps in timely corrective action to be taken by the manager.
- Managers can delegate tasks so routinely chores can be completed by subordinates.

On the contrary, controlling suffers from the constraint that the organization has no control over external factors. It can turn out to be a costly affair, especially for small companies.

Limitations of Control:

Though control is essential for better performance and maintenance of good standards, there are certain limitations also.

Some of the limitations are discussed as such:

1. Influence of External Factors:

There may be an effective control system but external factors which are not in the ambit of management may have adverse effect on the working. These factors may be government policy, technological changes, change in fashion, etc. The influence of these factors cannot be checked by the control system in the organization.

2. Expensive:

The control system involves huge expenditure on its exercise. The performance of each and every person in the organization will have to be measured and reported to higher authorities. This requires a number of persons to be employed for this purpose. If the performance cannot be quantitatively measured then it will be observed by the superiors. The exercise of control requires both time and effort.

3. Lack of Satisfactory Standards:

The performance of certain activities involving human behaviour cannot be fixed in terms of quantities. It is difficult to fix standards for activities like public relations, management development, human relations, research, etc. The evaluation of work of persons engaged in these activities will be difficult.

4. Opposition from Subordinates:

The effectiveness of control process will depend upon its acceptability by subordinates. Since control interferes with the individual actions and thinking of subordinates they will oppose it. It may also increase the pressure of work on subordinates because their performance is regularly monitored and evaluated. These factors are responsible for the opposition of controls by subordinates.

