

**SYLLABUS****B.Com I Years (Hons.)****Subject – Principles of Management**

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**UNIT – I**  
**Basics of Management**

**Introduction of Management:**

Every human being has several needs and desires. But no individual can satisfy all his wants. Therefore, people work together to meet their mutual needs which they cannot fulfill individually. Moreover, man is a social being as he likes to live together with other people. It is by working and living together in organised groups and institutions that people satisfy their economic and social needs. As a result there are several types of groups, eg. family, school, government, army, a business firm, a cricket team and the like. Such formal groups can achieve their goals effectively only when the efforts of the people working in these groups are properly coordinated and controlled. The task of getting results through others by coordinating their efforts is known as management. Just as the mind coordinates and regulates all the activities of a person, management coordinates and regulates the activities of various members of an organisation.



Management is getting things done with effectiveness and efficiency. It is designing and maintaining an environment in which individuals working together accomplish selected aims efficiently.

Management is the first of the modern institutions to shape the society. It plays a vital role in modern world. It regulates man's productive energies. It organizes factors of production. Peter Drucker observes that without the leadership of management, a country's resources of production remain resources and never becomes production. Management converts a mob into an organization, and human efforts into performance. 'Management' is the catalyst which makes possible rapid economic and social development in freedom and with human dignity.

**MEANING OF MANAGEMENT:**

As the term 'management' is used in several contexts, it has different meanings to different people. Management has three different meanings:

**1. As a Noun:**

When used as a noun, management refers to all those who have both responsibility and authority to manage an organization and who are responsible for the work of others at all levels. W.J. Reddin states that "a manager is a person occupying a position in a formal organization who is responsible for the work of at least one other and who has formal authority over that person. Persons, whose work he is responsible for, are his subordinates."



**2. As a Process:**

Management is also tasks, activities and functions. As a process, management refers to what management does, i.e., the function performed by management 'Managing' is considered as a process which may include a variety of functions, principles, techniques, skills and other measures of accomplishing the work and activities of organization. Management as a process implies a series of actions or elements. These are planning, organization, staffing, directing, co-ordination etc.

**3. As a Discipline:**

Sometimes, the word 'management' is used to connote the body of knowledge and practice. In this sense, it becomes a separate subject, a field of learning, and an organized, formal discipline. It is young discipline.

**DEFINITION OF MANAGEMENT :**

Management is the coordination of all resources through the process of planning, organising, directing and controlling in order to attain stated objectives.  
—Henry L. Sisk.

Management is the art of knowing what you want to do and then seeing that it is done in the best and cheapest way.

—F.W. Taylor

To manage is to forecast and to plan, to organise to command, to coordinate and to control.

—Henry Fayol

Management is a distinct process consisting of planning, organising, actuating and controlling performed to determine and accomplish the objectives by the use of people and resources.

George R. Terry

Management is guiding human and physical resources into dynamic organisational units which attain their objectives to the satisfaction of those served and with a high degree of morale and sense of attainment on the part of those rendering service.

—American Management Association

Management is a multipurpose organ that manages a business and manages Managers and manages Workers and work.

—Peter Drucker

**NATURE OF MANAGEMENT:**

To understand the basic nature of management, it must be analyzed in terms of art and science, in relation to administration, and as a profession, in terms of managerial skills and style of managers.

**Management as a Science:**

Science means a systematic body of knowledge pertaining to a specific field of study. It contains general principles and facts which explains a phenomenon. These principles establish cause-and-effect relationship between two or more factors. These principles and theories help to explain past events and may be used to predict the outcome of actions. Scientific methods of observations, and experiments are used to develop principles of science. The principles of science have universal application and validity.



Thus, the essential features of science are as follows:

- (i) Basic facts or general principles capable of universal application
- (ii) Developed through scientific enquiry or experiments
- (iii) Establish cause and effect relationships between various factors.
- (iv) Their Validity can be verified and they serve as reliable guide for predicting future events.

Let us now examine as to what extent management satisfies the above conditions:

- (i) **Systematic body of knowledge:** Management has a systematic body of knowledge consisting of general principles and techniques. These help to explain events and serve as guidelines for managers in different types of organisation.
- (ii) **Universal principles:** Scientific principles represent basic facts about a particular field enquiry. These are objective and represent best thinking on the subject. These principles may be applied in all situations and at all times. Exceptions, if any, can be logically explained. For example, the Law of Gravitation states that if you throw an object in the air it will fall on the ground due to the gravitational force of the earth. This law can be applied in all countries and at all points of time. It is as applicable to a football as it is to an apple falling from tree. Management contains sound fundamental principles which can be universally applied. For instance, the principle of unity of command states that at a time one employee should be answerable to only one boss. This principle can be applied in all types of organization - business or non business. However, principles of management are not exactly like those of physics or chemistry. They are flexible and need to be modified in different situations.
- (iii) **Scientific enquiry and experiments:** Scientific principles are derived through scientific investigation and reasoning. It means that there is an objective or unbiased assessment of the problem situation and the action chosen to solve it can be explained logically. Scientific principles do not reflect the opinion of an individual or of a religious guru. Rather these can be scientifically proved at any time. They are critically tested. For example, the principle that the earth revolves around the sun has been scientifically proved. Management principles are also based on scientific enquiry and investigation. These have been developed through experiments and practical experience of a large number of managers. For example, it has been observed that wherever one employee has two or more bosses simultaneously, confusion and indiscipline are likely to arise, with regard to following the instructions.
- (iv) **Cause and effect relationship:** Principles of science lay down a cause and effect relationship between related factors. For example, when water is heated up to 100°C, it starts boiling and turns into vapor. Similarly, the principles of management establish cause and effect relationship between different variables. For instance lack of balance between authority and responsibility will cause management to become ineffective.
- (v) **Tests of validity and predictability:** Validity of scientific principles can be tested at any time and any number of times. Every time the test will give the same result. Moreover, the future events can be predicted with reasonable accuracy by using scientific principles. For example, the Law of Gravitation can be tested by throwing various things in the air and every time the object will fall on the ground. Principles of management can also be tested for their validity. For example, the principle of unity of command can be tested by comparing two persons, one having a single boss and other having two bosses. The performance of the first person will be higher than that of the second.





Thus, management is undoubtedly a science. It contains a systematic body of knowledge in the form of general principles which enjoy universal applicability. However, management is not as exact a science—Physics, Chemistry, Biology and other Physical sciences. This is because management deals with people and it is very difficult to predict accurately the behavior of living human beings. Management principles are universal but they cannot be expected to give exactly the same results in every situation. That is why management is known as a soft science. Management is a social science. It is still growing, with the growing needs of human organisations.

#### **Management as an Art:**

Art implies the application of knowledge and skills to bring about the desired results. The essential elements of arts are:

- (i) Practical knowledge
- (ii) Personal skill
- (iii) Result oriented approach
- (iv) Creativity
- (v) Improvement through continuous practice

#### **Let us judge how far management fulfils these requirements:**

- (i) **Practical knowledge:** Every art signifies practical knowledge. An artist not only learns the theory but also its application in practice. For example, a person may have adequate technical knowledge of painting but he cannot become a good painter unless he knows how to make use of the brush and colours. Similarly, a person cannot become a successful manager simply by reading the theory and getting a degree or diploma in management. He must also learn to apply his knowledge in solving managerial problems in practical life. A manager is judged not just by his technical knowledge but by his efficiency in applying this knowledge.
- (ii) **Personal skill:** Every artist has his own style and approach to his job. The success of different artists differs even when all of them possess the same technical knowledge or qualifications. This is due to the level of their personal skills. For example, there are several qualified singers but Lata Mangeshkar has achieved the highest degree of success. Similarly, management is personalised. Every manager has his individual approach and style in solving managerial problems. The success of a manager depends on his personality in addition to his technical knowledge.
- (iii) **Result-oriented approach:** Arts seeks to achieve concrete results. The process of management is also directed towards the accomplishment of desirable goals. Every manager applies certain knowledge and skills to achieve the desired results. He uses men, money, materials and machinery to promote the growth of the organisation.
- (iv) **Creativity:** Art is basically creative and an artist aims at producing something that had not existed before. Therefore, every piece of art requires imagination and intelligence to create. Like any other art, management is creative. A manager effectively combines and coordinates the factors of production to create goods and services. Moulding the attitudes and behaviour of people at work, towards the achievement of the desired goals is an art of the highest order.
- (v) **Improvement through people:** Practice makes one perfect. Every artist becomes more and more efficient through constant practice. A dancer, for example, learns to perform better by



continuously practicing a dance. Similarly, manager gains experience through regular practice and becomes more effective.

Thus, ***“Management is both a science as well as an art”***. It is a science because it has an organised body of knowledge consisting of certain universal facts. It is known as an art because it involves creating results through practical application of knowledge and skills. However, art and science are complementary to each other. They are not mutually exclusive. Science teaches one to know and art to do. Art without science has no guide and science without art is knowledge wasted.

For example, a person cannot be a good surgeon unless he has scientific knowledge of human anatomy and the practical skill of applying that knowledge in conducting an operation.

Similarly, a successful manager must know the principles of management and also acquire the skill of applying those principles for solving managerial problems in different situations. Knowledge of principles and theory is essential, but practical application is required to make this knowledge fruitful. One cannot become an effective manager simply by learning management principles by heart. Science (theory) and art (practice) are both essential for the success of management.

#### CHARACTERISTICS OF MANAGEMENT:

An analysis of the definition of management indicates the following features of management:

##### 1. Management is goal-oriented:

Management is not an end in itself. It is a means to achieve certain goals. Management has no justification to exist without goals. Management goals are called group goals or organisational goals. The basic goal of management is to ensure efficiency and economy in the utilisation of human, physical and financial resources. The success of management is measured by the extent to which the established goals are achieved. Thus, management is purposeful.



##### 2. Management is an Activity:

Management is a process of organized activity. It is concerned with the efficient use of resources of production. This process is made up of some interrelated elements—planning, organizing, leading and controlling. Terry says, “Management is not people, it is an activity.” Those who perform this activity are designated as ‘Managers’.

##### 3. Management is Multidimensional:

A single activity of business includes three main acts.

- i. Management of work- planning, organizing, controlling
- ii. Management of people- staffing, directing
- iii. Management of operations- production, sales, purchase



• Management is multidimensional or complex activity:

It has three main dimensions



4. **Management is a continuous Process:**

Management is a dynamic and an on-going process. The cycle of management continues to operate so long as there is organised action for the achievement of group goals.

5. **Management is Intangible:**

Management is an unseen or invisible force. It cannot be seen but its presence can be felt everywhere in the form of results. However, the managers who perform the functions of management are very much tangible and visible.

6. **Management is multidisciplinary:**

Management has to deal with human behaviour under dynamic conditions. Therefore, it depends upon wide knowledge derived from several disciplines like engineering, sociology, psychology, economics, anthropology, etc. The vast body of knowledge in management draws heavily upon other fields of study.

7. **It is Dynamic:**

Management is not a static activity. It adapts itself to the new changes in society. It also introduces innovation in its style and techniques. It accepts environmental changes.

8. **Hierarchical Nature:**

Management has several positions, ranks, authority and hierarchies flowing from top to bottom across all levels in the organization. It has top, middle and bottom levels with superiors and subordinates. Management contains a chain of authority and command with attached responsibility. This is known as the managerial hierarchical system of authority.

9. **Group Activity:**

It is concerned with the efforts of a group. It works in 'cooperative group'. Managers are vital to joint activity. Management is essential wherever people work together for a common cause. Management plans, organizes, co-ordinates, directs and controls the group efforts, not the individual efforts.

10. **Management is Universal:**

Management is needed in all types of organized activities and in all types of organizations. In fact, it is present in all walks of life. Fayol writes, "Be it a case of commerce, industry, politics, religion, war or philanthropy, in every concern there is a management functions to be performed." Also, the techniques and tools of management are universally applicable.



**11. Separate Identity:**

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

**12. It Involves Decision-making:**

Making decision is a real identity of a manager. He is a planner and thinker. He decides the course of action, strategies, policies and programmes. Drucker states, "Whatever a manager does, he does through making decisions." Thus, management is always a decision-making process,

**13. Pervasive at all Levels:**

Managerial activity pervades all levels of the organization. It is required at top, middle and supervisory levels for getting things done through others. Every manager, whether he works at top or low level, performs the same managerial tasks to do his role

**14. Management is a Social Process:**

Management is done by people, through people and for people. It is a social process because it is concerned with interpersonal relations. Human factor is the most important element in management. According to Appley, "Management is the development of people not the direction of things. A good manager is a leader not a boss. It is the pervasiveness of human element which gives management its special character as a social process".

**15. Management is an Integrative Force:**

The essence of management lies in the coordination of individual efforts in to a team. Management reconciles the individual goals with organisational goals. As unifying force, management creates a whole that is more than the sum of individual parts. It integrates human and other resources.

**Levels of management:**

Every business organisation, irrespective of its size, has many managerial positions in its structure. These positions are created through the process of delegation of authority from top to lower levels. Each position is marked by authority, responsibility, functions, roles and relationships. The contents and nature vary, depending in the level at which the position lies. As one moves upward in the organisation, the managerial position plays an important role, larger the contribution, greater the authority and higher the responsibility. These managerial positions lying in the chain of command may be classified into various groups or levels of management. Broadly speaking, an organisation has two important levels of management, namely functional and operative. The functional level is concerned with the process of determining primary objectives, formulating basic policies, making vital decisions and controlling and coordinating activities of personnel. The operative level of management is related to implementation of plans and decisions, and pursuit of basic policies for achieving the objectives of the organisation.

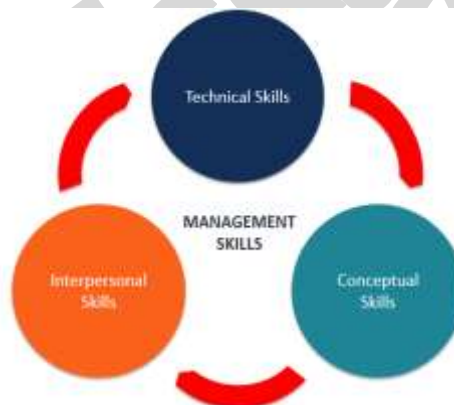
Generally, the levels of management consisting of various managerial positions in the structure of an organisation, differ from one organisation to another, depending on the size of business activity, philosophy of management, span of control and other related factors. But, in a joint stock company, for conducting its business efficiently, managerial personnel may be placed in three levels, that is, top, middle and lower or supervisory level.





### Managerial skills:

In modern business the job management has become very difficult. Several skills are required to manage successfully a large organisation in a dynamic environment. These skills of managers have been classified into four categories, namely technical, human, diagnostic and conceptual skills.



### (i) Technical Skills:

Technical skills refer to the ability and knowledge in using the equipment, technique and procedures involved in performing specific tasks. These skills require specialised knowledge and proficiency in the mechanics of particular job. Ability in programming and operating computers is, for instance, a technical skill. There are two things a manager should understand about technical skills. In the first place, he must know which skills should be employed in his particular enterprise and be familiar enough with their potentiality to ask discerning questions of his technical advisors. Secondly a manager must understand both the role of each skill employed and interrelations between the skills.

### (ii) Human Skills:



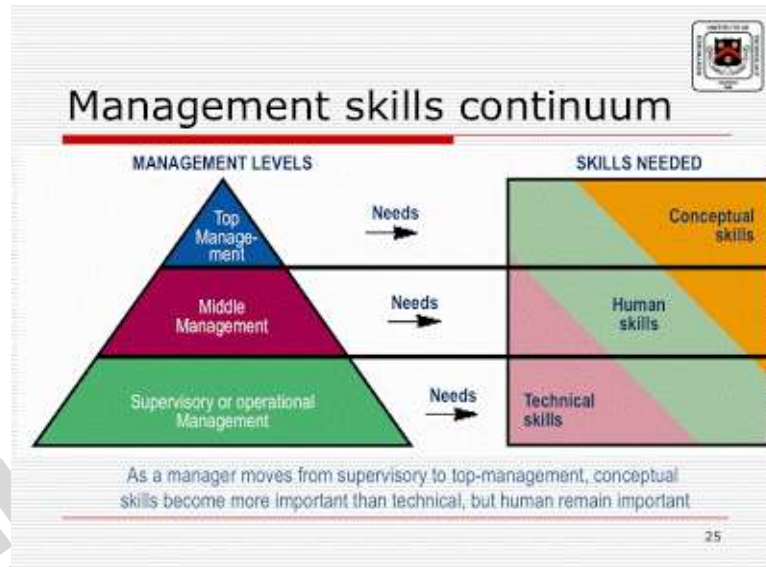
Human skills consists of the ability to work effectively with other people both as individual and as members of a group. These are required to win cooperation of others and to build effective work teams. Such skills require a sense of feeling for others and capacity to look at things from others point of view. Human skills are reflected in the way a manager perceives his superiors, subordinates and peers. An awareness of the importance of human skills should be part of a managers orientation and such skills should be developed throughout the career. While technical skills involve mastery of 'things' human skills are concerned with understanding of 'People'.

**(iii) Conceptual Skills:**

Conceptual skills comprise the ability to see the whole organisation and the interrelationships between its parts. These skills refer to the ability to visualise the entire picture or to consider a situation in its totality. Such skills help the manager to conceptualise the environment, to analyse the forces working in a situation and take a broad and far-sighted view of the organisation. Conceptual skills also include the competence to understand a problem in all its aspects and to use original thinking in solving the problem. Such competence is necessary for rational decision-making.

Thus technical skills deal with jobs, human skills with persons and conceptual skills with ideas. These types of skills are interrelated. But the proportion or relative significance of these skills varies with the level of management.

Technical skills are most important at the supervisory or operating level where a close understanding of job techniques is necessary to guide workers. As one moves up the management hierarchy, technical skills become less important. Higher level managers deal with subordinate managers and specialised technical knowledge is comparatively less important for them. Conceptual skills are very important for top management in formulating long-range plans, making broad policy decisions, and relating the business enterprise to its industry and the economy. Thus, the relative importance of conceptual skills increases as we move to higher levels of management. This would be self evident as management is the process of getting things done through people. Human skills are equally important at all levels of management because every manager has to deal with people.



## Objectives of management:

The objectives of management are narrated as under.

- (i) **Organisational objectives:** Management is expected to work for the achievement of the objectives of the particular organisation in which it exists. Organisational objectives include:
  - (a) Reasonable profits so as to give a fair return on the capital invested in business
  - (b) Survival and solvency of the business, i.e., continuity.
  - (c) Growth and expansion of the enterprise
  - (d) Improving the goodwill or reputation of the enterprise.
- (ii) **Personal objectives:** An organisation consists of several persons who have their own objectives. These objectives are as follows:
  - (a) Fair remuneration for work performed
  - (b) Reasonable working conditions
  - (c) Opportunities for training and development
  - (d) Participation in management and prosperity of the enterprise
  - (e) Reasonable security of service.
- (iii) **Social objectives:** Management is not only a representative of the owners and workers, but is also responsible to the various groups outside the organisation. It is expected to fulfil the objectives of the society which are given below:
  - (a) Quality of goods and services at fair price to consumers.
  - (b) Honest and prompt payment of taxes to the Government.
  - (c) Conservation of environment and natural resources.
  - (d) Fair dealings with suppliers, dealers and competitors.
  - (e) Preservation of ethical values of the society.

## Importance Of Management:



Management is a must for every enterprise. The existence of management ensures proper functioning and running of an enterprise. Management can plan the activities to achieve the objectives and utilize the available resources at minimum cost. Every business needs a direction. This direction is given by the management. The resources of production are converted into production. The resources will remain as resources in the absence of management. The conversion process is performed through the coordination of management. The significance or importance of management is briefly explained below:

1. **Achievement of group goals:** A human group consists of several persons, each specializing in doing a part of the total task. Each person may be working efficiently, but the group as a whole cannot realize its objectives unless there is mutual cooperation and coordination among the members of the group. Management creates team-work and coordination in the group. He reconciles the objectives of the group with those of its members so that each one of them is motivated to make his best contribution towards the accomplishment of group goals. Managers provide inspiring leadership to keep the members of the group working hard
2. **Optimum utilization of resources:** Managers forecast the need for materials, machinery, money and manpower. They ensure that the organisation has adequate resources and at the same time does not have idle resources. They create and maintain an environment conducive to highest productivity. Managers make sure that workers know their jobs well and use the most efficient methods of work. They provide training and guidance to employees so that they can make the best use of the available resources.
3. **Minimisation of cost:** In the modern era of cut-throat competition no business can succeed unless it is able to supply the required goods and services at the lowest possible cost per unit. Management directs day-to-day operations in such a manner that all wastage and extravagance are avoided. By reducing costs and improving efficiency, managers enable an enterprise to be competent to face competitors and earn profits.
4. **Survival and growth:** Modern business operates in a rapidly changing environment. An enterprise has to adapt itself to the changing demands of the market and society. Management keeps in touch with the existing business environment and draws its predictions about the trends in future. It takes steps in advance to meet the challenges of changing environment. Changes in business environment create risks as well as opportunities. Managers enable the enterprise to minimise the risks and maximise the benefits of opportunities. In this way, managers facilitate the continuity and prosperity of business.
5. **Generation of employment:** By setting up and expanding business enterprises, managers create jobs for the people. People earn their livelihood by working in these organisations. Managers also create such an environment that people working in enterprise can get job satisfaction and happiness. In this way managers help to satisfy the economic and social needs of the employees.
6. **Effective utilization of business:** There are seven M's in the business. These are said to be man,





money, materials, machines, methods, markets and management of information & time. Management is the topmost of all other 'Ms'. Management has control over other remaining 'Ms'.

7. **Effective functioning of business:** Ability, experience, mutual understanding, co-ordination, motivation and supervision are some of the factors responsible for the effective functioning of business. Management makes sure that the abilities of workers are properly used and co-operation is obtained with the help of mutual understanding. Besides, management can know the expectation of workers and the expectation is fulfilled through motivation techniques.
8. **Sound organization structure:** Management lays down the foundation for sound organization structure. Sound organization structure clearly defines the authority and responsibility relationship-who is responsible to whom, who will command whom and who is responsible for what. Care is taken in appointing qualified persons to the right job by the management.
9. **Development of the nation:** Efficient management is equally important at the national level. Management is the most crucial factor in economic and social development. The development of a country largely depends on the quality of the management of its resources. Capital investment and import of technical know-how cannot lead to economic growth unless wealth producing resources are managed efficiently. By producing wealth, management increases the national income and the living standards of people. That is why management is regarded as a key to the economic growth of a country.

### Functions Of Management:

Management functions are the activities that a manager must perform as a result of the position held in the organization. The best way to analyse the management process is in terms of what a manager does. Generally the basic functions of management are: planning, organizing, staffing, directing and controlling. As managing is a dynamic and challenging activity, it includes three kinds of functions and tasks which are common to all managerial jobs. The list of management functions can be presented as follows:

#### I. Basic Functions

1. Planning
2. Organizing
3. Staffing
4. Directing
5. Controlling

#### II. Dynamic Functions

1. Co-ordinating
2. Decision Making
3. Representation
4. Innovation
5. Administration

#### III. Challenging Functions

1. Managing Work
2. Managing People
3. Managing Operations



4. Managing Change
5. Managing Time
6. Strategy Formulation and Action
7. Making Work Productive and the Worker Achieving
8. Managing Social Impacts and Social Responsibilities

### **I. Basic Functions:**

#### **1. Planning:**

Planning is one of the most important functions because it sets the pattern for the other activities to follow. Planning function for the new era is more broadly described as delivering strategic value. It is a primary and crucial function which determines how to achieve an objective-deciding what is to be done and when to do it. It is looking ahead and preparing for the future.

#### **2. Organizing :**

Organizing is the process by which the structure and allocation of jobs are determined. To organize a business is to provide it with everything useful to its functioning.

#### **3. Staffing:**

Staffing is the process of planning, recruiting, developing, compensating and maintaining human resources in an organization. In staffing, a manager recruits and selects suitable personnel for manning the jobs.

#### **4. Directing:**

The fourth basic function of management is directing. This is also termed leading or actuating. While planning tells us what to do and organizing tells us how to do directing tells us why the employees should want to do it. Directing is concerned with guiding and leading people. It consists of supervising and motivating the subordinates towards the achievement of set goals.

- (i) Communication
- (ii) Command
- (iii) Motivation
- (iv) Leadership
- (v) Supervision
- (vi) Controlling

#### **5. Controlling:**

Controlling is evaluating the performance and applying corrective measures so that the performance takes place according to plans. It is reviewing the performance of the employees in the light of the targets and goals.

### **II. DYNAMIC FUNCTIONS :**

1. **Co-ordinating:** To co-ordinate is to harmonize all the activities, decisions and efforts of an organization so as to achieve the unity of action. It is blending the efforts of all employees for and efficient running of an organization.
2. **Decision Making:** decision making is the process by which a course of action is consciously chosen from available alternatives. Decision making is inherent in every managerial function.



3. **Representation:** the manager's job also includes representing his organization in dealings with outside group-government officials, unions, civic groups, financial institutions, customers, suppliers, and the general
4. **Innovation:** innovation means developing new ideas, new products, new quality or devising new methods of work. In other words, the real manager is always an innovator. Innovation is the specific function of entrepreneurial managers, the means by which they exploit change as an opportunity.
5. **Administration:** this is a new task of manager which is described by peter F. drucker he says, "The manager has to administer. He has to manage and improve what already exists and is already known. He has to redirect resources from areas of low or diminishing results to areas of high or increasing results. He has to slough off yesterday and to render obsolete what already exists. He has to create tomorrow.

### III. CHALLENGING FUNCTIONS:

1. **Management of Work:** In an organization, work must be performed. For example, in a factory, the product must be manufactured; in a retail store, the customer's need must be satisfied.
2. **Management of People:** Recently a lot of attention has been given to the 'human factor' in managing the business. Human forces are employed, they need to be unified, coordinated, welded into a team effort and directed towards a given purpose. In this lies the challenging task of management.
3. **Management of Operations:** Every organization has some products or service that it must supply in order to exist. Through operations process, these products are manufactured. To manage these operations, managers ensure the flow of input materials, labour, technology and equipments regularly. This is inextricably interwoven with their daily task.
4. **Management of Change:** Change is an inevitable feature of organizational life every organization operates under the conditions of continuous change. Good managers exhibit a rational response to changing environment. Managers who undertake appropriate changes at the right time achieve success.
5. **Management of Time:** It can be noted that 'time dimension' is ever-present in every management problem, every decision and every action. Thus, managers must make efforts to administer the things within time. They must be conscious of the time element.
6. **Strategy Formulation and Action:** In this age of competitive environment, managers have to take decisions and actions that determine the long-run performance of a company. To maintain the lead in fast-paced industry and global markets, strategy formulation and implementation has become an important function of managers.
7. **Making Work Productive and the Worker Achieving:** According to drucker, the next task of managers is to make work productive and the worker achieving. He says that business enterprise has only one true resource: man. Manager gets his work done by making human resources productive.
8. **Managing Social Impacts and Social Responsibilities:** The another challenging task of managers, according to drucker, is managing social impacts and the social responsibilities of the enterprise. Drucker says that none of our institutions exist.

### PROCESS OF MANAGEMENT:



According to Stoner, Freeman and Gilbert, “a process is a systematic way of doing things.” In simple words, it is a step-by-step sequence. We refer to management as ‘process’ to emphasize that all managers engage in certain interrelated activities in order to achieve their desired goals. David Hampton says, “management is a common set of processes which, when competently carried out, contribute to organizational effectiveness and efficiency. The basic parts of this process are:

- Planning
- Organizing
- Staffing
- Directing
- Controlling

#### ROLES OF MANAGER IN AN ORGANIZATION:

**1. Interpersonal roles:** - In the process of management needs to interact with subordinates to get things done by them, and also communicates with superiors, peers, trade union leaders, customers, government and other agencies whose interest is involved in the business. Its importance is evident from that a manager spends nearly 80 percent of his time, in interacting with these parties.

**a) Figure head role:** The manager works in a line of authority. His position is identified in terms of formal authority, responsibility, obligations and relationship. As a symbol of formal authority, he performs various ceremonial duties e.g. receiving visitors, attending weddings of subordinates, signing various documents, delivering speeches and lectures in important social gathering such as schools, clubs and other religious places.

**b) Leadership role:** The most important role of the manager is to lead, guide and motivate subordinates and get work done properly. A manager is responsible not only for his own acts but for the activities performed by his subordinates. The leadership qualities of the manager help him in influencing the working behaviour of subordinates, contributing to a higher level of efficiency.

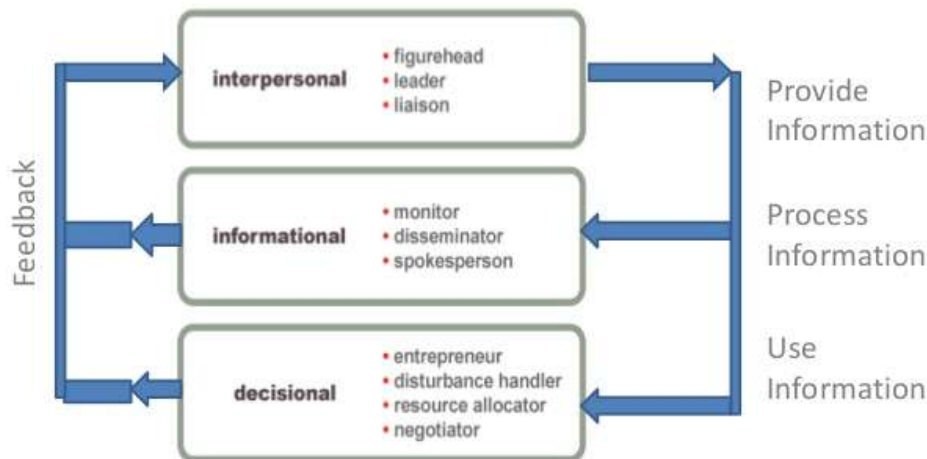




- c) **Liaison role:** A manager serves as connecting link, vertically with superiors and subordinates, and horizontally, with other managers at the same level. Outside the organization, the managers have to undertake liaison to assess the external environment to enable the organization to cope with it.
2. **Informal role:** - To preserve and protect the identity of an organization and to secure its smooth functioning, the manager has to scan the external environment on a regular basis and to deal with outside parties, effectively for which he has to gather a lot relevant information on the various matters concerning the organizations.
- The manager plays three important informational roles while managing the operations of an organization.
- a) **Role of monitor:** The managers interact and deal with insiders and outsiders and scan the external environmental constantly to get useful information. He collects information on the various aspects of the organization and its environment through reports, informal relations dealings and liaison work. He is the most well-informed member of his work group. While managing, he monitors every situation closely and minutely, collects information regarding it and finally, solves it effectively.
- b) **Role of disseminator:** The manager continuously transmits selected information which he has complied through the role of monitor to his subordinates. He keeps them well-in-formed regarding any change in the process, structure, policies and other plans of the organization. The needed information is disseminated among the subordinates by him through formal and informal meetings, memorandums, orders and instructions issued from time to time.
- c) **Role of spokesperson:** A manager acts as a spokesperson of his group while supplying information to superiors and peers. Similarly, he keeps outside parties well-informed on behalf of the organization. He negotiates and enters into compromise with internal and external parties.
3. **Decision-making roles:** - By interacting with insiders and outsiders, the manager gets important information, which he can use or taking decisions and solving problems.
- a) **As an entrepreneur:** The managers have a primary responsibility of improving the overall functioning of their respective work units. They act as an entrepreneur; take bold decisions, seek better results from subordinates, initiate required changes, implementing them for the betterment of organization. To initiate and implement changes, managers have to be dynamic, innovative and creative.
- b) **As a disturbance or conflict handler:** An organization is a collective entity with diversity of interest and duality of roles for managers. For example, the owners group may be interested in high profits whereas the employees may seek more benefits in the form of higher wages and better working conditions. In such situations, it is only by applying managerial knowledge and playing the role of conflict handlers, thinking analytical and acting practically, that the managers can hope to effectively integrate the interest of employees with the organization. Similar conflicts may arise with outside parties which would have to be resolved through meetings, negotiations and compromise.
- c) **As a resource allocator:** To manage the organization, physical and human resources are mobilized and utilized efficiently by managers for the accomplishment of pre-determined objectives. They have to play the role of resources allocators. And, in the case of multiple objectives, they set priorities for allocation of resources.
- d) **As a negotiator:** Managers work on behalf of the organization or work unit, and subordinates, not only as a spokesperson but as negotiator. They enter into an agreement on behalf of the organization. For example, the personnel manager negotiates with trade unions and representatives of workers.



## Henry Mintzberg (1973)



The Managerial Roles

### Management and Administration:

According to Theo Haimann, “Administration means overall determination of policies, setting of major objectives, the identification of general purposes and laying down of broad programmes and projects”. It refers to the activities of higher level. It lays down basic principles of the enterprise. According to Newman, “Administration means guidance, leadership & control of the efforts of the groups towards some common goals”.

Whereas, management involves conceiving, initiating and bringing together the various elements; coordinating, actuating, integrating the diverse organizational components while sustaining the viability of the organization towards some pre-determined goals. In other words, it is an art of getting things done through & with the people in formally organized groups.

The difference between Management and Administration can be summarized under two categories: -

1. Functions
2. Usage / Applicability

#### On the Basis of Functions: -

| Basis   | Management   | Administration  |
|---------|--|---|
| Meaning | Management is an art of getting things done through others by directing their efforts towards achievement of pre-determined goals. | It is concerned with formulation of broad objectives, plans & policies. |
| Nature  | Management is an executing function.   | Administration is a decision-making                                     |



|          |  |   |
|----------|--|---|
|          |  | function.   |
| Process  | Management decides who should do it & how should he do it.                             | Administration decides what is to be done & when it is to be done.                      |
| Function | Management is a doing function because managers get work done under their supervision. | Administration is a thinking function because plans & policies are determined under it. |
| Skills   | Technical and Human skills   | Conceptual and Human skills   |
| Level    | Middle & lower level function  | Top level function  |

**On the Basis of Usage: -**

| Basis                | Management  | Administration  |
|----------------------|---|---|
| <b>Applicability</b> | It is applicable to business concerns i.e. profit-making organization.  | It is applicable to non-business concerns i.e. clubs, schools, hospitals etc.   |
| <b>Influence</b>     | The management decisions are influenced by the values, opinions, beliefs & decisions of the managers.                 | The administration is influenced by public opinion, govt. policies, religious organizations, customs etc.                       |
| <b>Status</b>        | Management constitutes the employees of the organization who are paid remuneration (in the form of salaries & wages). | Administration represents owners of the enterprise who earn return on their capital invested & profits in the form of dividend. |

Practically, there is no difference between management & administration. Every manager is concerned with both - administrative management function and operative management function as shown in the figure. However, the managers who are higher up in the hierarchy devote more time on administrative function & the lower level devote more time on directing and controlling worker's performance i.e. management.



**AREAS OF MANAGEMENT:**

**Production management:**



Production means creation of utilities by converting raw material in to final product by various scientific methods and regulations. It is very important field of management. Various sub-areas of the production department are as follows.

**Plant lay out and location:** This area deals with designing of plant layout, decide about the plant location for various products and providing various plant utilities

**Production planning:** Managers has to plan about various production policies and production methods.

**Material management:** This area deals with purchase, storage, issue and control of the material required for production department.

**Research and Development:** This area deals with research and developmental activities of manufacturing department. Refinement in existing product line or develop a new product are the major activities.

**Quality Control:** Quality control department works for production of quality product by doing various tests which ensure the customer satisfaction

**Marketing management:**

Marketing management involves distribution of the product to the buyers. It may need number of steps. Sub areas are as follows

**Advertising:** This area deals with advertising of product, introducing new product in market by various means and encourage the customer to buy thee products.

**Sales management:** Sales management deals with fixation of prices, actual transfer of products to the customer after fulfilling certain formalities and after sales services.

**Market research:** It involves in collection of data related to product demand and performance by research and analysis of market.

**Finance and accounting management:**

Financial and accounting management deals with managerial activities related to procurement and utilization of fund for business purpose. Its sub areas are as follows

**Financial accounting:** It relates to record keeping of various financial transactions their classification and preparation of financial statements to show the financial position of the organization.

**Management accounting:** It deals with analysis and interpretation of financial record so that management can take certain decisions on investment plans, return to investors and dividend policy

**Taxation:** This area deals with various direct and indirect taxes which organization has to pay.

**Costing:** Costing deals with recording of costs, their classification, analysis and cost control.

**Personnel Management:**





Personnel management is the phase of management which deals with effective use and control of manpower. Following are the sub areas of Personnel management

**Personnel planning:** This deals with preparation inventory of available manpower and actual requirement of workers in organization.

**Recruitment and selection:** This deals with hiring and employing human being for various positions as required.

**Training and development:** Training and development deals with process of making the employees more efficient and effective by arranging training programmes. It helps in making team of competent employees which work for growth of organisation.

**Wage administration:** It deals in job evaluation, merit rating of jobs and making wage and incentive policy for employees.

**Industrial relation:** It deals with maintenance of overall employee relation, providing good working conditions and welfare services to employees.



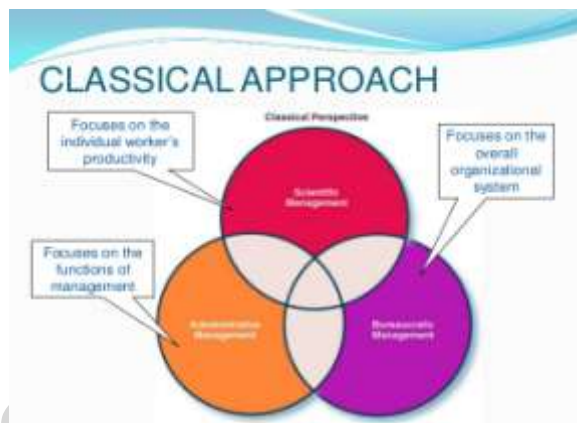
### **DEVELOPMENT OF MANAGEMENT THOUGHT**

The major historical stages or events in the development of management thought can be discussed under the following heads:

- I. Management in ancient civilizations.
- II. Management during the medieval period.
- III. Management during the period of Industrial Revolution.
- IV. Period of systematized management. This period can be sub-divided into the following categories:
  1. Era of scientific management.
  2. Era of administrative management.
  3. Era of behavioural science.
  4. The modern era of new approaches to management.

### **THEORIES OF MANAGEMENT :**

#### **I. CLASSICAL SCHOOL:**



### A. Scientific Management:

Systematic development of management thought started with the scientific management movement which is said to have its origin as early as 1830s.

The man who popularised the movement is Fredrick Winslow Taylor. He is known as the father of scientific management.

**Life and works of Taylor (1856-1915):** Fredrick Winslow Taylor, who is known as the father of scientific management, was born in 1856 in Philadelphia, USA. He started his career as an apprentice in a small machine-making shop in 1875. Thereafter, Taylor served in three companies:

(i) Midwell Steel Co., (ii) Simonds Rolling Machine Co., and (iii) Bethlehem Steel Co.

Taylor joined Midwell Steel Works in 1878 where he did time study and evolved one best method of doing each part of a job. He introduced **differential rate system of wages**.

### Philosophy and Principles of Taylor:

1. **Develop a science to replace rules of thumb:** Taylor wanted to make management as a science. He, therefore, recommended that every activity of an organisation must rest on well organized, clearly defined principles, instead of depending on more or less hazy idea.
2. **Maximisation of output or production:** Taylor believed maximum output instead of restricted output. It is because the prosperity for both employer and employees could be achieved only through maximising productivity.
3. **Equal division of responsibility:** There should be equal division of responsibility between managers and workers. Managers must fulfill their responsibility of planning and organising effectively. On the other hand, workers must fulfill their responsibility by executing the work as per the directions of the 'bosses'.
4. **Job specialisation:** Taylor believed that each worker should be specialist in his job. At the same time, each worker must be supervised by different specialist supervisors.
5. **Scientific selection, training and development of workers:** Taylor realized the importance of right person for the right job to attain highest efficiency. He therefore, stressed the need for proper selection and training of the workers.
6. **Standardisation:** Taylor believed standardisation of methods, tools, time, materials etc. for each activity is very important. Therefore, standards should be fixed for each of them.
7. **Wage incentives:** Taylor believed that wage incentives should be integral part of each job. Taylor suggested the differential wage rate for different job.
8. **Mental revolution:** Taylor firmly believed that the principles of scientific management could succeed only when there is a complete mental revolution on the part of management and worker. In other



words, both the parties should change their mental attitudes. For this, he suggested the following three things:

- (i) They must create a spirit of mutual trust and confidence.
- (ii) Both must make efforts to increase production and productivity.
- (iii) Both must develop a scientific attitude towards the work and should not leave their arbitrary approach.

The mental revolution requires change in the attitude of both. Management must create congenial working conditions and develop best method and tools for optimum efficiency of the workers.

### Contribution of Taylor:

1. **Scientific task setting:** Taylor suggested that the task of every worker for every day should be determined through scientific investigation. Taylor called it “a fair day’s work”. Every manager must know in advance the fair day’s work for each worker.
2. **Experimentation or work study:** Work study means organised, systematic and objective analysis and assessment of the operational efficiency of all the elements connected with the work.
  - (i) **Method study:** It is a survey of production process. It aims to evolve the best method of doing a particular job by simplifying the production process, methods, tools etc.
  - (ii) **Motion study:** Motion study relates to the study of movements of a worker or a machine in doing a job. It aims at eliminating unnecessary motions and to find out the best method of doing of doing a job efficiently.
  - (iii) **Time study:-** Time study is the process of recording the exact time taken for doing a job with a view to find out a standard time for doing the job.
  - (iv) **Fatigue study:** Fatigue study is the study of the reduction or diminution of human energy or capacity in doing his job. Fatigue is caused by over-work without rest pause, poor working conditions, stress, strain etc. The fatigue study is undertaken to know the level and nature of fatigue and to find out the ways to eliminate or minimize the fatigue on the job.
3. **Planning:** Taylor advocated that planning function should be separate from the doing function. Planning department should decide about the type, shape, and quality of the goods to be produced and the time schedule for delivery of the products.
4. **Scientific selection and training of workers:** Taylor realised the importance of the right person on the right job. Therefore, he advised for proper selection of the workers and their training.
5. **Specialisation:** Taylor suggested that scientifically selected and trained workers should be allocated the tasks according to their specialisation.
6. **Standardisation:** Taylor advocated for standardisation of materials, tools, equipments, methods etc. Standardised working environment should also be provided to the workers. Standardisation will increase efficiency and eliminate or minimise wastage of resource.
7. **Incentive wage plan:** Taylor considered that incentive wage plan is an integral part of the scientific management. He, therefore suggested a differential wage payment plan. According to this plan, worker is to receive a bonus in addition to his wages if he completes his job before the standard time fixed for the job.

### B. Administrative Theory:

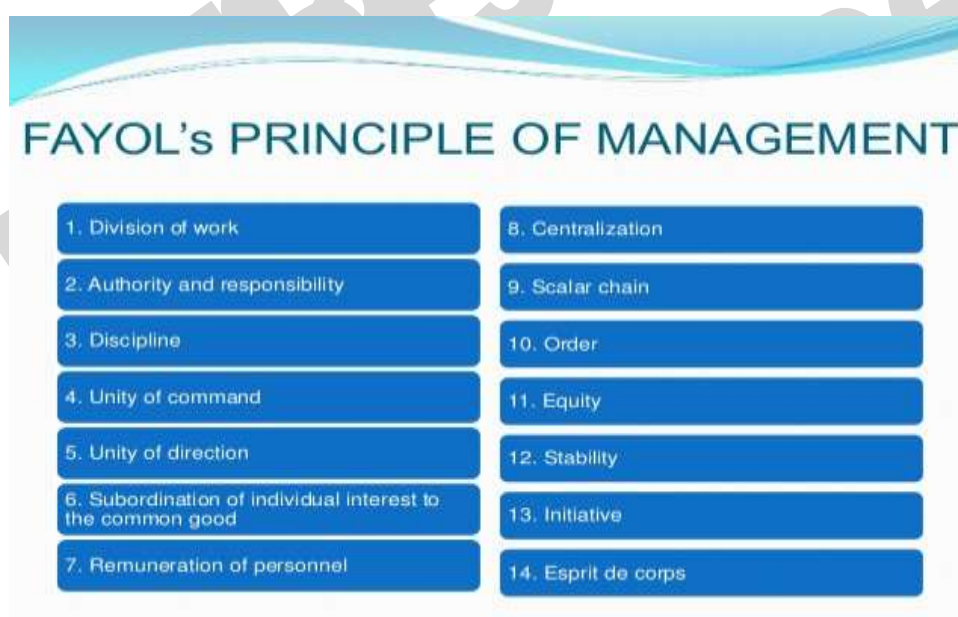
#### Henri Fayol (1841-1925):

Henri Fayol was a French mining engineer and chief executive officer of a coal mine company. He propounded the administrative or functional theory of management.



1. **Administrative management thought era** run almost parallel to the scientific management thought era. **Henri Fayol is regarded** as the herald of the administrative thought. Other contributors include Urwick, Mooney and Reiley, Davis etc.
2. **Elements of administration or management function:** Fayol described five elements of administration or management functions. They are as follows:
  - (i) **Planning**, consisting of activities for making plans to achieve goal of the organisation. This function includes forecasting and decision-making.
  - (ii) **Organising**, consisting of activities necessary for mobilising human and other resources of the organisation to implement the plans.
  - (iii) **Commanding**, which consists a activities relating to directing, leading, motivating and communicating for getting things done.
  - (iv) **Coordinating**, which is concerned with activities necessary for harmonising the efforts of all in order to achieve a common goal.
  - (v) **Controlling**, which is concerned with ensuring performance in accordance with plans.
3. **Principle of management:** Fayol proposed fourteen principles of management.
4. **Flexible and adaptable principles:** Fayol made it clear that the principle of management are flexible and adaptable to every need.
5. **Universal principles:** He believed that principles of management are universally applicable. The principles are applicable in all organisations large or small, industrial, commercial, political, religious, or any other.
6. **Management education and training:** Fayol realised the need for management education and training. He strongly pleased for introducing management education and training in schools and universities. He also suggested for conducting organizational 'in-house' training programmes.

#### **Fayol's Fourteen principle of Management**







### 1. Division of Work

To divide work among departments and employees according to requirement & owned activities & skills to get benefit of specialization & avoid time wastage. It says that every employee should be assigned only one of type of work else there will be waste of time and effort caused by changes from one work process to another.

### 2. Authority and Responsibility

Authority means right to give orders and power to exact obedience.

Responsibility is assignment of tasks and act to be completed in availability of resources accountability extent to which person can be made liable to answer for acts. Fayol said Authority and Responsibility are co existence in nature and must go hand in hand with proper parity in between. Authority without responsibility heads to irresponsible behaviour & responsibility without authority makes manager in effective.

### 3. Discipline

Implies compliance with organizational directions and rules, orders and instructions of superior & to co-operation with fellow workers. He considered discipline as the chief strength of organization and essential for smooth operation. Discipline generally depends essentially on ability of its leaders. Fayol said best means of maintaining discipline are-

- Goods superiors at all levels
- Clear & fair agreements between employees & employer
- Judicious application of penalties

### 4. Unity of command

According To this principle one subordinate should get orders and institutions regarding his work only from one superior. If a subordinate has more than one superior. It will undermine authority weaken discipline create divided loyalty and Lead to confusion, delays due to conflict in instructions & most important it would be difficult to pinpoint responsibility to him.

### 5. Unity of Direction

Means that the there should be complete identify between individual and organizational goals on one hand and between departmental goals on the other i.e. one head & one plan for a group of acts having the same objective. In other words the related acts should be put under one group, these should be one plan of action for them & they should be under the control of one particular manager.

### 6. Reading subordinate of individual interest to General interest

This principle emphasises that the interest of one employee or group of employees should not prevail over that of the concern Fayol suggested these means to protect the general interest. They are

- Firmness and good ex on part of superiors
- Agreement as join as in possible
- Constant supervision

### 7. Remuneration of personnel

Fayol said that the remuneration & methods of payment should be fair and afford the maximum possible satisfaction to employees & employer. Time, job, piece rates, bonus, profit saving, welfare work, Non-financial incentives should be included in best scheme of payment.

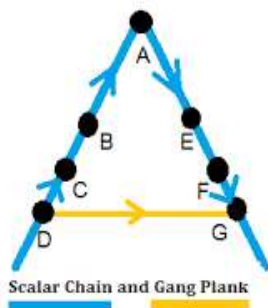
### 8. Centralization



Centralization refers to decreasing role of subordination in decision making Fayol says Centralization is not a system of management goods or bad of itself. Centralization implies the Centralization of authority at the top management. Relationship between Centralization & decentralization of authority is a matter of proportion & optimum balance should be maintained according to needs of organization.

## 9. Scalar chain

Scalar chain refers to the chain of superiors ranging from the ultimate authority to lowest ranks. There should be clear line of authority ranging from top to bottom of organization the line of authority is the route followed via every link in the chain by all communication which start from as go the ultimate authority Fayol suggested the concept 'gang plank' which is used to prevent the scalar chain from bogging down action.



## 10. Order

To run well an organization should have a place of everything and everything should be in its place. There should be an orderly rationally thought out plan for arranging the things and material in their suitable places. There are two order material and social

## 11. Equity

The organizations runs best when there is a feeling of kindness and justice among managers. Desire for equity & equality of treatment are the common aspirations of employees.

## 12. Stability of tenure of personnel

Efficiency is promoted when job security is assured to employees, Time is required for an employee to get used to new work & succeed in doing it well. An employee cannot render worth while service if he is removed from the job before he is adjusted.

## 13. Initiative

Initiative refers to the freedom to think out a plan and use discretion in executing. It is a freedom to propose and to execute.

## 14. Esprit de corps -

This principle says that "in union there is strength" Harmony, teamwork and union among the employees is a great strength in a concern. Fayol exhorts that the misguided motto 'divide and rule and the abuse of written communication should be avoided by manager rather they should strive to maintain cooperation among employees.

## Similarities of Taylor and Fayol:

1. Both devoted to put science into management.



2. Both devoted to the **development of management thought**.
3. Both were concerned with the **improvement of practice** of management.
4. Both men favoured the development of **theory and principles to improve management practice**.
5. Both emphasised the need for **cooperation between** labour and management.
6. Both realised the **universality of management**.

**The Dissimilarities between the two are as follows:**

1. Taylor's work is primarily concerned with the **operative level** at the shop level while Fayol's work is concerned with **management at top and middle levels**.
2. Taylor started from the bottom of the managerial hierarchy and had **worker upwards** whereas Fayol started from the top executive position and **worked downwards**.
3. Taylor was concerned with increasing **efficiency of labour** whereas Fayol was concerned with increasing **efficiency of total organisation**.
4. Taylor aimed at increasing productivity by **eliminating or reducing inefficiency and waste**. On the other hand, Fayol aimed at organisational **efficiency through application of management principles**.
5. Taylor described his philosophy as '**Scientific management**' whereas Fayol called his views as 'General theory of administration'.
6. Taylor is known as the **father of scientific management** whereas Fayol is recognised as the **father of modern management theory**.
7. Fayol recognised the need of **education and training** in schools and colleges whereas **Taylor did not so realise**.

**C. Bureaucratic Management Approach of Max Weber:**

Max Weber (1864-1920), a German sociologist; he described a theory to operate an organization in effective way which is known as the Bureaucratic management approach or Weberian bureaucracy.

Max Weber was a lawyer who got interested in the social aspects of organizations. During his time markets were booming and his lifelong work on the study of organizations led to believe that specific kind of organizations called "bureau" (desk), will help in the growth of markets. Max Weber's work was oftentimes interpreted as a caricature of modern bureaucracies with all of their shortcomings. He gave following main characteristics of the bureaucracy:

**Features of Bureaucratic Organization:**

- High degree of Division of Labor and Specialization.
- There is a well-defined chain of command.
- It follows the principle of Rationality, Objectively and Consistency.
- The relationship among the member of the organization is Formal and Impersonal relations. And it's based on positions and not on personalities.
- Rules and Regulations are well defined and it indicates the duties and rights of the employees. These rules apply to everyone from to bottom of organization and must be strictly followed.



- Selection and Promotion is based on Technical qualifications.
- Only Bureaucratic or legal power is given importance.

#### **Criticism of Bureaucratic Organization:**

Bureaucratic Management Approach of Max Weber also has some fault-lines and received criticism for it.

- The emphasis was only on rules and regulations.
- There will be unnecessary delay in decision-making due to formalities and rules of Bureaucratic Organization.
- Coordination and communication hampered because of too much formality and rules.
- Bureaucracy involves a lot of paper work and has just too much level of authority which results in lot of wastage of time, effort and money. Not ideal for efficiency.
- Because of its too much formality, Bureaucratic approach is not suitable for business organizations. Bureaucratic model may be suitable for government organizations.
- Too much importance is given to the technical qualifications of the employees for promotion and transfers. Dedication and commitment of the employee is not considered.
- Limited scope for Human Resource (HR). No importance is given to informal groups and neither any scope is given to form one.
- Max Weber's bureaucratic approach worked as a solution to problems of traditional administrative systems. But it was not the perfect or "close to perfect" solution. The bureaucratic structure gives all the importance and power to the top level management.

And the rules and levels of authority are just too much. It gives a greater sense of security to the employees. But bureaucratic management gives window for "red-tapism".

## **II. NEO-CLASSICAL SCHOOL:**

### **A. The Human Relations Approach:**

Hawthorne studies (1924-1932) by George Elton Mayo and his team members gave rise to new movement which is known as the human relations movement. It may be recalled that Hawthorne studies revealed that better physical environment and more economic benefits were not sufficient to motivate workers for higher productivity. It showed that socio-psychological needs have a powerful influence on the productivity of workers. Moreover, these studies also revealed that informal/social relationship, informal supervision at work also play a crucial role in increasing productivity. These conclusions of the studies gave birth to human relations movement.





**Characteristics/Assumptions/ Beliefs:** The human relations approach was founded upon the following beliefs or assumptions:

1. It assumes that an organization is a social system.
2. It regards that this system is composed of many interacting groups.
3. It believes that monetary gains alone cannot motivate workers. Satisfaction of socio-psychological needs also has a powerful influence on the motivation of workers.
4. It considers that workers participation in planning and decision making can boost both morale and productivity of workers.
5. It believes that a sound two-way communication system is essential for a healthy working climate in an organization.

**Contribution and limitations:** Human relations approach has made significant contribution to management thought and practice particularly in the following areas:

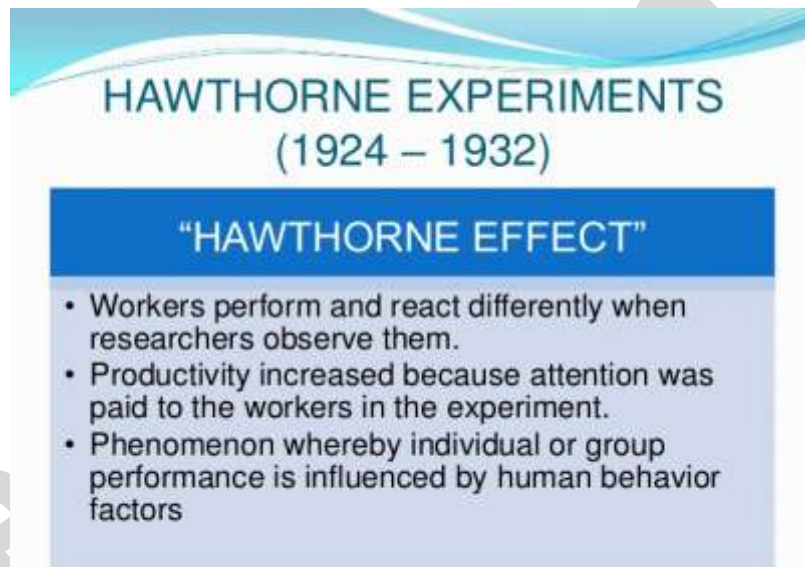
1. The thoughts and practice of managers began to be human oriented.
2. Management training was revolutionized with the emphasis on development of people-oriented skills in managers.
3. Managers became sensitive and responsive to the needs and feelings of the workers in the work place.
4. Selection and placement activities began to be given more importance along with improved incentive systems.

**Criticism:** The human relations approach was criticized on the following counts:

1. It over-emphasizes on keeping workers happy whereas happiness alone cannot make workers more productive.
2. It emphasizes on manipulation of workers emotions for the organizational purposes.

### Hawthorne Experiments:

1. **Illumination or test room study:** The illumination study was conducted to determine the relationship between light intensity and productivity or efficiency of workers. For this purpose, three different experiments were conducted in which researchers changed light intensity. Researchers were surprised to note that productivity of select group of employees tended to improve in spite of the change in their physical surroundings. Productivity increased even when the lights were dimmed to moonlight intensity.
2. **The relay assembly test room study:** The relay assembly test room study was conducted to ascertain the factors other than the light intensity, affecting the productivity. In this study six persons (Five girl assemblers put a layout operator) were placed in a room. In addition, the researchers put an observer with them in the room. The observer was to record everything that happened in the room and to maintain friendly atmosphere therein. The researchers changed working conditions such as rest periods, length of work days, refreshments, temperature, wage rates etc. during the study. In addition, girls were allowed to talk more freely among themselves.
3. **Bank wiring observation room study:** In order to observe and analyse informal group behaviour more accurately, bank wiring observation room study was undertaken. This study was conducted in a room of the bank wiring department. In this room, 14 employees performing three interrelated jobs of the department were placed.
4. **Mass interviewing study:** The researchers therefore switched indirect questioning. Under this approach, the employees were allowed to talk about what they felt important. The interviewers patiently heard their views.



#### Conclusions/Contributions of Hawthorne Studies:

The main conclusions or contributions of Hawthorne studies are as follows:

1. **Work is a group activity:** Mayo concluded that work is a group activity. Workers work better in groups.
2. **Informal groups:** Workers form internal informal social cliques/ groups. Such groups may not be based on their occupation.
3. **Influence of social groups:** The informal social groups within the workplace greatly affect the behaviour and productivity of individual worker.
4. **Group cooperation is planned:** Group cooperation or collaboration does not occur accidentally. It must be planned and developed.
5. **Worker is not only rational economic being:** A worker is not only a rational economic being. He is not motivated solely by monetary means. His social needs have a powerful influence on his behaviour and productivity.
6. **Role of supervisor's behaviour:** The behaviour of supervisors does affect the behaviour of workers. When supervisors provide a more relaxed work environment, by paying special attention to the workers social situation changes.

#### Criticism of Hawthorne Studies:

Hawthorne Studies are criticized on the following grounds:

1. **Pro-management bias:** These studies are criticized on the ground that these had a pro-management bias.
2. **Not fully scientific:** Some experts allege that the studies were not fully scientific. According to them, there was no scientific basis in the selection of the work, the employees and the environment.
3. **Clinical bias:** Some experts also allege that the studies had a clinical bias. They say that the research was directed to preconceived ideas and conclusions.
4. **Discounted importance of Theory:** It is also argued that studies discounted the importance of theory and overemphasized the importance of observation and collection of facts.



**B. Human Resource Approach or Behavioural science Approach:**

Neo-classical school or human resource or behavioural approach to management through evolved gradually over the years from late 1920s to 1940s and continued to develop thereafter. This school of thought evolved in recognition of the importance of human behaviour in organization.

**DISTINCTION BETWEEN HUMAN RELATIONS APPROACH AND BEHAVIOURAL SCIENCE APPROACH**

| Basis of Distinction    | Human Relations and Approach   | Behavioural Science Approach   |
|-------------------------|--|--|
| 1. Emphasis             | This approach laid emphasis on studying individual, his needs and behaviour      | This approach emphasizes on studying groups, group behaviour and individual motivation.                        |
| 2. Similar set of needs | It believes that all workers have similar set of needs.                          | It believes that individuals are different from each other. Their need structure is dynamic                    |
| 3. Conflict             | This approach believes that conflicts in organizations and should be resolved    | This approach believes that conflicts are not always harmful. sometimes, they are inevitable in organizations. |
| 4. Relations            | It focuses informal interpersonal relationships                                  | It focuses on group relationship.  |
| 5. Origin               | It originated from the conclusions of Hawthorne studies                          | It emerged in the process of refinement of human relations approach  |
| 6. Techniques           | Its major techniques are informal supervision, and satisfaction of social needs. | Its techniques are informal leadership, communication, motivation, organization change, conflict resolution.   |

**III. Modern Schools of Management Thought:**

**A. System Approach to Management:**

The system approach to management has been evolved out of General System Theory or GST. Ludwig von Bertalanffy is credited for developing the GST. According to GST, study in any area should be based on the assumption that everything is a part of a larger interdependent and organized whole system. And in order to understand this whole system, the knowledge of its part and the relations between them is an essential. In other words, a whole system cannot be understood without an understanding of the parts that make-up the whole.

**Definition of System:**

According to Bertalanffy, "A system is a set of units with interrelationship among them."

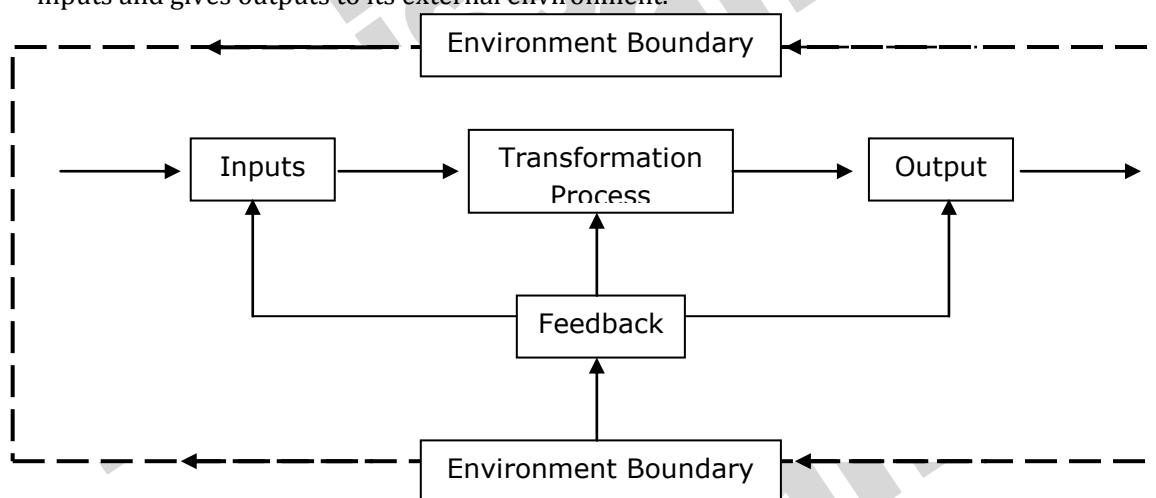


In the words of **John A. Beckett**, "A system is a collection of interacting system."

**Types of Systems:**

According to GST, there are two types of systems: (i) closed system, and (ii) open system.

1. **Closed system:** A closed system is independent of environment. Thus, it is a self-sufficient entity. Therefore, it does not interact with its outside environment. Its activities are not affected by the forces outside its boundary.
2. **Open system:** An open system is one which interacts or interplays with its environment. It interacts with people, things and forces in its environment. It is an input-output system. It takes inputs and gives outputs to its external environment.



**Characteristics/Assumptions/Beliefs:**

This approach to management is based on the following assumptions/beliefs:

1. It believes that managers manage an organization which is a unified or integrated system.
2. It believes that every organization is an open system to its environment. It affects and is affected by its environment.
3. It believes that whole organization system cannot be understood without an understanding of the parts that make-up the whole organization
4. It believes that managers have to manage the organization as the decision in the light of environmental situations.
5. It regards that organizational system is dynamic in which changes take place regularly.

**Contributions:**

1. It provides a frame-work within which managers can plan actions and anticipate the expected results.
2. It also helps in understanding the unexpected consequences of plans and actions.
3. It helps managers in maintaining a balance between the needs of various parts of the organization and needs and goals of the organization as a whole. [Stoner and Wankel]
4. It helps in integrating various management theories because it has the concept of other management approaches.

**Criticism/limitations:**





1. Some experts argue that the application of this approach requires study of total organizational system and its sub-systems.
2. It does not lay down principles and techniques of management. It simply suggests the needs for study and understanding of the total organization system and its parts for better management.
3. It is also alleged that it is an abstract approach. It simply stated that an organization system consists of many sub-systems.
4. It is also alleged that it is simply an intellectual appeal but fails to provide verifiable facts and practical advice.
5. It is also criticized for the reason that it prescribed only the way of thinking about organizations but fails to give final answers about the problems of organizations.

**B. Contingency/Situational Approach:**

**CONTINGENCY THEORY**

- There is no “One Best Way” to manage all the situations.
- Also known as ‘Situational Theory’.
- Developed by managers, consultants, and researchers who tried to apply the concepts depending on various Internal and External factors

Contingency approach suggests that managers must do what the situation warrants or managers actions must be contingent upon the organizational situational situation or environment.

In the words of Stoner and Wankel, “According to contingency approach, the task of managers is to identify which technique will in a particular situation, under particular circumstances, and at a particular time, best contribute to the attainment of managerial goal.”

Thus, according to consistency approach, actions managers vary with the situation or environment of the organization. There is no ready-made solution to the problems of every situation. Correct principles or techniques to be applied depend on the prevailing situation or environment.

**Characteristics/assumptions/beliefs:**

1. It assumes that each organizational is unique. The goals, operations, people, resources, technology, etc. of every organization are unique.
2. It also assumes that external environment of each organization is different and unique from the others.



3. It further assumes that all sub-systems of the organization are interrelated and affect each other.
4. In view of these facts, it believes that there cannot be one best way of doing a thing which can be universally prescribed for all situations.
5. It regards that best approach to management is situational or situation-oriented approach.

**Contributions:**

1. It makes it clear there are no universal, ultimate or absolute principles, techniques, theories of management which can be applied to every situation.
2. It keeps managers on high alert that next situation may be new and unique. Therefore, they go on finding and analyzing facts of each situation.
3. It widens freedom of operation of managers. They are not bound by stereotype principles and solutions.
4. It encourages managers to innovate and develop new principles, techniques etc. to handle each new and unique situation.

**Criticism/limitations:**

1. In real-life, managers do not find enough time to analyze and understand every situation and to apply the principles and techniques accordingly.
2. Managers are not at all times make decisions on rational basis. Sometimes, their rationality becomes limited. Hence, this approach serves no purposes.
3. All managers cannot analyze and understand all variables in a situation or environment. In such case, the approach loses its significance.
4. Sometimes, situations change so rapidly that managers are unable to understand them and make decisions accordingly.

**BUSINESS ENVIRONMENT:**

Business environment is the sum total of all external and internal factors that influence a business. You should keep in mind that external factors and internal factors can influence each other and work together to affect a business. For example, a health and safety regulation is an external factor that influences the internal environment of business operations.

**Types of Business Environment:**

- 1) Internal
- 2) External

**1. Internal Environment-** It consists of factors that are under the control of the organization.

It includes:

Value system

Mission & objectives

Management structure & nature

Internal power relationship

Human resources

**2. External Environment-** It consists of factors that are outside the control of the organization.

It is of two types:



a. **Micro environment**- Close with business and directly affects the capacity to work.

### Micro Environment

- **Suppliers**
- **Customers**
  - Wholesalers
  - Retailers
  - Industries
  - Government and Other Institutions
  - Foreigners
- **Market Intermediaries**
  - Middleman
  - Marketing Agencies
  - Financial Intermediaries
  - Physical Intermediaries
- **Competitors**
- **Public**

b. **Macro environment**- Macro environment indirectly affects the work.



### **SOCIAL RESPONSIBILITY:**

Social responsibility is an ethical framework and suggests that an entity, be an organization or individual, has an obligation to act for the benefit of society at large.

Social responsibility is defined as the obligation and commitment of managers to take steps for protecting and improving society's welfare along with protecting their own interest.

Arguments for assuming Social Responsibility:

1. Business received its license from society and consequently has to respond to the needs of society.
2. Society gains through better neighborhoods and employment opportunities; business benefits from a better community since the community is the source of its workforce and the consumer of its products and services.
3. Social involvement discourages additional government regulation and interventions. The result is greater freedom and more flexibility in decision making for business.
4. Business have a great deal of power which, should be accompanied with an equal amount of responsibility.
5. Modern society is an interdependent system, and the internal activities of the enterprise have an impact on the external environment.
6. Social involvement may be in the interest of stockholders.
7. Problems can constitute profits. Items that may once considered waste can be profitably used.





**Areas of Social Responsibility:**

- Responsibility towards owners
- Responsibility towards employers
- Responsibility towards consumers
- Responsibility towards government
- Responsibility towards community & society



**ETHICS IN MANAGEMENT:**

The word 'Ethics' has been derived from the Greek word "**Ethikos**" meaning character/ manner. Ethics is a code of moral standards of conduct for 'what is good and right' as opposed to 'what is bad or wrong'.

Ethics refer to the rules and principles that define right and wrong conduct.

It refers to well-founded standards of right and wrong that prescribe what humans ought to do.

**Examples of Ethics in Management:**

- Honesty
- Loyalty
- Integrity
- Fair
- Caring
- Respect
- Obeying Law
- Excellence



## UNIT-II PLANNING

***"It you have planned well, half of you work is done"***

Management Functions are – planning, organizing, staffing, directing and controlling and all are required to achieve objectives but without setting objectives there's nothing to organize, direct or control. Therefore every organization requires to specify what it wants to achieve; Planning is related with this very aspect.

### CONCEPT OF PLANNING:

#### Plan & Planning -

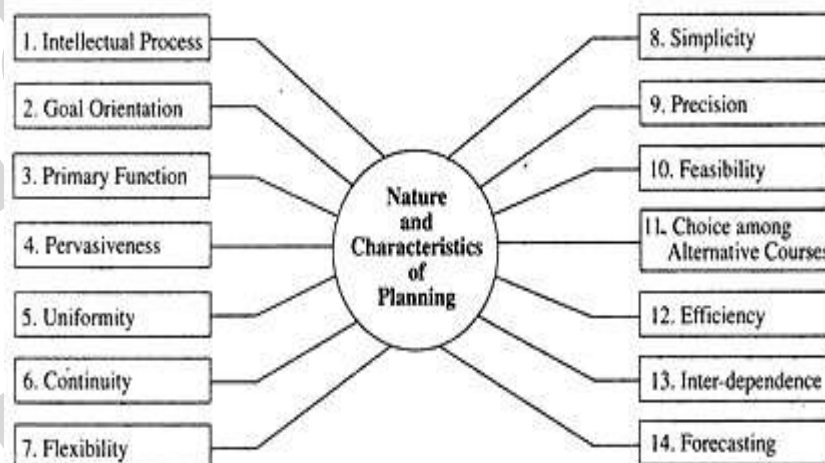
- Planning is process - have sub activities and steps.
- Plan is commitment to particular course of action – For objective.
- Planning is deciding in advance the future course of action.  
What is to be done in future?
- When, what, why, where, who, how are different aspects of planning
- Planning is selecting missions and objectives as well as the actions to achieve them which required decision making i.e. choosing a course of action among alternatives.

#### Definitions:

**Gorge R. Jerry** – "Planning is the selection and relating of fact and making & using of assumptions regarding the future in the visualization and formalization of proposed activities believed necessary to achieve deserved result".

**Mc. Farland** – "Planning may be broadly defined as a concept of executive action that embodies the skills of anticipating, influencing and controlling the nature and direction of change"

### Characteristics or Nature of Planning :





## Need Importance and advantages of Planning:

1. Basis of success
2. Keystone management function
3. To manage by objectives
4. To offset growing complexity of business
5. Better utilization of resources
6. To gain economy in operation
7. Establishes coordinated effort
8. Facilitates control
9. Coping with change
10. Improves competitive strength
11. Creates forward looking attitude
12. Promotes order
13. Prevents hasty judgment and haphazard action
14. Stay on track
15. Managing crises
16. Providing motivation
17. Promotes growth and improvement
18. Encourages creativity
19. Facilitates decentralization
20. It provides alternative courses of action
21. Efficient methods and procedures of action can be developed.

## Components/ Elements of Planning:

There are a number of different components of planning. They are also called **types of plans**. The major type of management plans along with their components can be classified as follows:

### 1 Strategic Plans:

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

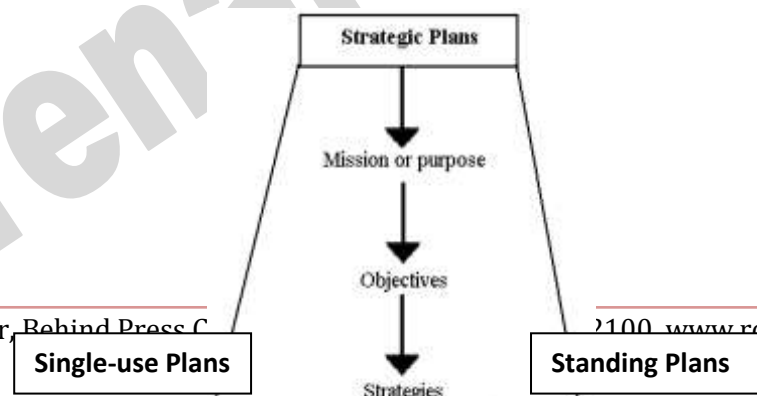
### 2 Standing Plans:

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

### 3 Single-Use Plans:

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

## Components of Planning





(For nonrecurring or short-run activities)

- Programmes
- Projects
- Budgets
- Quotas
- Schedules

(For recurring or long-range activities)

- Policies
- Procedures
- Rules and regulations

**1. Mission or Purpose:** Mission or purpose is a primary and overall objective of an organization. It is the basic functions or task of an enterprise which is assigned to it, by society. It is organization's reason for existence determined by its founder, owners, or board of directors. Purpose or mission is the definition of the organization, its identity.

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

- (a) The existence of the firm - it means what business is the firm in ?
- (b) The external environment that determines the operating philosophies of the firm.
- (c) The organizational culture.

**2. Objectives or Goals:** Objectives or goals are the ends towards which all organizational activities are aimed. **Koontz and O'Donnell** state, "They represent not only the end point of planning but the end towards which organizing, staffing, leading and controlling are aimed." objectives decide where we want to go. They are the results to be achieved.

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

**3. Strategies:** The term 'strategy' was first used in the military to describe the ground plan for winning a war. In recent times, it is widely applied to business. According to **Hicks and Gullett** strategy is "the basic pattern of purpose and policies that define the firm and its business". **Andrew szilagyi** defines strategy "as a comprehensive and integrated framework that guides those choices that determine the nature and direction of the organization's activities towards goal achievement".

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

**Features:**

- (1) Policies direct the thinking, behaviour and actions of employees.





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

**5. Procedures:** Policies are carried out by means of procedures. A procedure is a detailed set of instructions for performing a sequence of actions. It is a customary method of handling activities. It provides the exact manner in which a certain activity must be accomplished. Terry defines a procedure as "a series of related tasks that make up the chronological sequence and the established way of performing the work to be accomplished".

**Characteristics of Procedures:**

1. A procedure has a chronological sequence of tasks or actions.
2. A procedure is specific and tailor-made to achieve certain tasks.
3. Procedures exist in every part of an organization.
4. They spell out actions in detail.
5. They are truly guides to action, rather than to thinking.

**6. Method:** Method is the best way the job is to be performed. It deals with a task comprising one step of a procedure. It specifies how this one step is to be performed.

**7. Rules:** Rules are standing plans that guide actions. They specify what actions will be taken or not taken and what behaviour is allowed or prohibited. Rules are a particular way of behaving in a particular situation. Generally, rules are all restrictive and leave little room for discretion. They are not guides for thinking or decision-making, rather they are substitutes for them. "No smoking" is an example of a rule.

**8. Programmes:** A programme is a comprehensive plan that covers a relatively large set of activities. It consists of a complex set of goals, policies, procedures, rules, job assignments and resources required to implement them. Programmes are aggregate of several related action plans (goals, procedures, rules etc.) that have been designed to accomplish a mission within a specified time period. Programmes usually include the following steps:

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

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

**10. Budgets:** A budget is a plan which expresses the anticipated results in numerical terms. It is merely a collection of figures or estimates that indicate the future in financial terms. According to Terry, "A budget is an estimate of future needs, arranged according to an orderly basis, covering



some or all of the activities of an enterprise for a definite period of time". It is a statement of planned revenue and expenditures. A budget may be stated in time, materials, money, or other units.

11. **Quota:** Quota is a set goal for sales or other activities. It is the share one is bound to contribute to or entitled to receive from a total. A quota is a limit placed on the amount or units of sales, productions, profit or other activities. Quotas are set in the field of sales, markets or sales territories. For example, every sales territory carry an assigned quota indicating its contribution to profit and volume and its sales activity requirements.
12. **Schedules:** Schedules are important part of operational plans. Schedules are used to plan the timing and sequencing of the use of resources and for the work to be executed. Schedules are the basis of an action plan. Scheduling sets the exact time when each activity would start and when it would end.
13. **Standard:** A standard is an important element of plan. It is a norm against which performance is compared and evaluated. Terry defines it as "a unit of measurement established to serve as a criterion or level of reference". A standard forms the basis of controlling and serves as guide for performance. It brings uniformity in work. Standards assist in settling disputes because they may serve as base levels. They are essential in planning schedules and determining the proper use of resources. Qualitative and quantitative standards are set in various areas of business such as cost standards, quality standards, product standards, material standards, performance standards, etc.

#### TYPES OF PLANS:

##### On the basis of Managerial Hierachy:

1. Strategic Plans
2. Administrative plans
3. Operating Plans



##### On the basis Frequency of Use:

1. Standing plans
2. Single use plans



**On the basis of Time Frame:**

1. Short range plans
2. Medium or Intermediate plans
3. Long range plans



**On the basis of Organizational Scope:**

1. Business or divisional level plans
2. Unit or functional level plans

**On the basis of Specificity:**

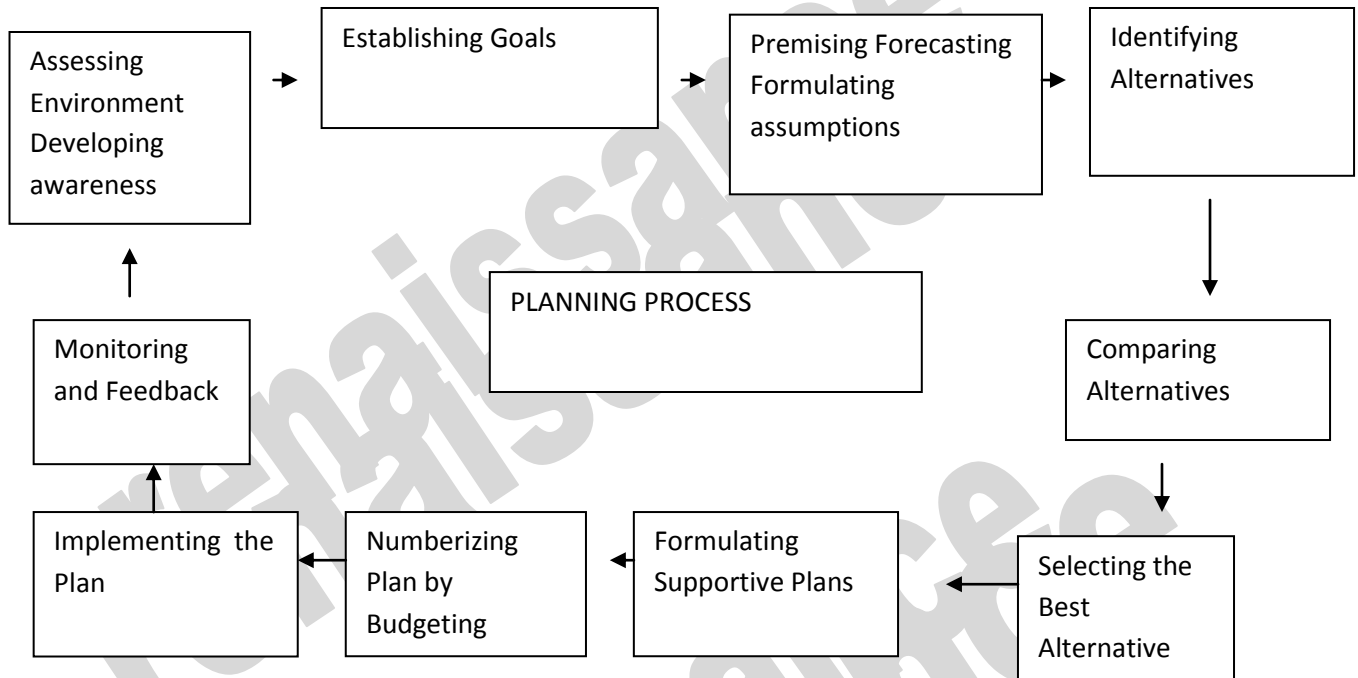
1. Specific plans
2. Directional plans

**Other classifications:**

Contingency plans: They are helpful in emergency situations.



**PROCESS OF PLANNING OR STEPS IN PLANNING:**



**Limitations of Planning:**

1. Ambiguous objectives and plans
2. Lack of reliable facts and information
3. Inaccurate premises
4. Rigid philosophy or lack of pragmatism
5. Resistance to change
6. Inflexibility of existing objectives and plans
7. Lack of planning skills
8. Failure to integrate with other functions
9. Attitudes and conflicts among managers
  - i. Conflict on the goals and priorities of planning.
  - ii. Conflict on the selection of the courses of action and resources.
  - iii. Conflicts on their roles in the implementation of plans.
  - iv. Conflict between line and staff managers due to their role in planning.
  - v. Conflict on the issue of usefulness of the planning itself.
10. Psychological barriers.
  - i. Some managers feel that present is more important than the future. They regard present is more desirable and has certainty. Hence, they neglect the significance of planning.
  - ii. Some managers feel that certain things are bound to happen in future. Such things cannot be changed by planning.
  - iii. Some feel that planning is not successful always. Therefore, it is a waste of time, energy and money.





iv. Plans serve as standards for evaluating performance. Therefore, many managers fear that others will know their weaknesses at the time of performance evaluation.

11. Expensive
12. Inadequate resources
13. Delay in actions
14. Difficulties in implementation
15. Rapid and random changes

**Essentials of effective planning:**

1. Well defined objectives
2. Simple and easy to understand
3. Comprehensive
4. Flexible
5. Balanced
6. Economical
7. Stable
8. Continuity
9. Unity
10. Consistency
11. Participation
12. Practicable
13. Written
14. It should be logical and rational
15. It must be time bound.

**Principles of Planning:**

1. Principle of contributions to objectives
2. Principle of primacy of planning
3. Principle of efficiency of plans : It means that the amount contribution of plans should exceed the costs involved in their formulation and implementation.
4. Principle of planning premises : Planning premises means the assumptions regarding environment which are likely to affect the implementation of plans. This Principle emphasizes the need for consistent planning premises.
5. Principle of limiting factor : A limiting factor is one which creates problems in the way of achieving predetermined objectives. This Principle states that planner must recognize and solve the limiting factors in order to formulate effective plans.
6. Principle of commitment
7. Principle of flexibility
8. Principle of navigational change: This principle states that a manager must constantly monitor and review the conditions affecting the plans and redraw the plans if required by the changed conditions.
9. Principle of pervasiveness
10. Planning coordination
11. Principle of timing
12. Principle of participation/acceptance
13. Principle of competitive strategies
14. Principle of Alternatives



### **Tools & Technique of Planning:**

Different tools and techniques are used in formulating and implementing plans. Some of the most important are as follow:

- |                                   |                          |
|-----------------------------------|--------------------------|
| 1. Forecasting                    | 8. Theory of probability |
| 2. Budgeting                      | 9. Scheduling            |
| 3. Break even analysis            | 10. Games Theory         |
| 4. Marginal analysis              | 11. Simulative Model     |
| 5. Linear programming             | 12. Sequencing           |
| 6. Waiting line or Queuing theory | 13. Bench marking        |
| 7. PERT/CPM                       | 14. MBO                  |

### **MANAGEMENT BY OBJECTIVES**

#### **Concept & Nature of Objectives:**

Objectives are the end results which an organisation wants to achieve.

**Mc. Farland** – Defines objectives in quite broad term "Objectives are goals, aims or purposes that organisations wish to achieve over varying period of time".

#### **Features of objectives are as follows:-**

1. Each organisation or group has some objectives in fact they are created basically for certain objectives.
2. Objectives may be broad or may be specifically mentioned. Wide or narrow, Long term or short term. General objective are translated into operative objectives to provide definite action.
3. Objectives have hierarchy
  - Top level - broad object
  - Dept level - specific object
  - Unit level - their own object
4. Organisational objectives have social sanction they are related with social norms. Organisation is a social unit, its objectives must confirm to the needs of society. Various restrictions on organisation objective are put through social norms, rules & customs  
**eg:** objective- Increase stock but not by hoarding
5. One organisation can have multiple objectives  
**eg:** HLL- Under chairmanship of T. Thomas (1973-80) has following objectives
  - (i) To expand & diversify in area of chemicals.
  - (ii) To control cost & improve productivity very rigorously
  - (iii) To built up mgt skills for future growth.

#### **Management by Objective:**

The term MBO was coined by **Peter Drucker** -1954, since then many organisation have adopted it

#### **Definitions of MBO –**

**Heinz & Harold Koontz** "MBO is a comprehensive managerial system that integrates many key managerial activities in a systematic manner continuously directed towards the effective and efficient achievement of organisational objectives."



**S.K. Chakravarty** "MBO is result-centered, non-specialist operational managerial process for the effective utilization of material, physical & human resources the organisation by integrating the individual with the organisation & organization with environment".

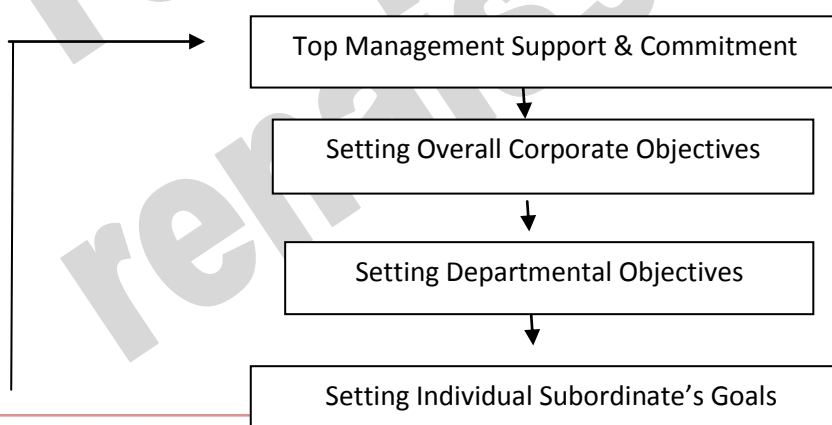
MBO is now used not only as a technique of setting objectives but also used as a planning, motivation, performance appraisal and control technique.

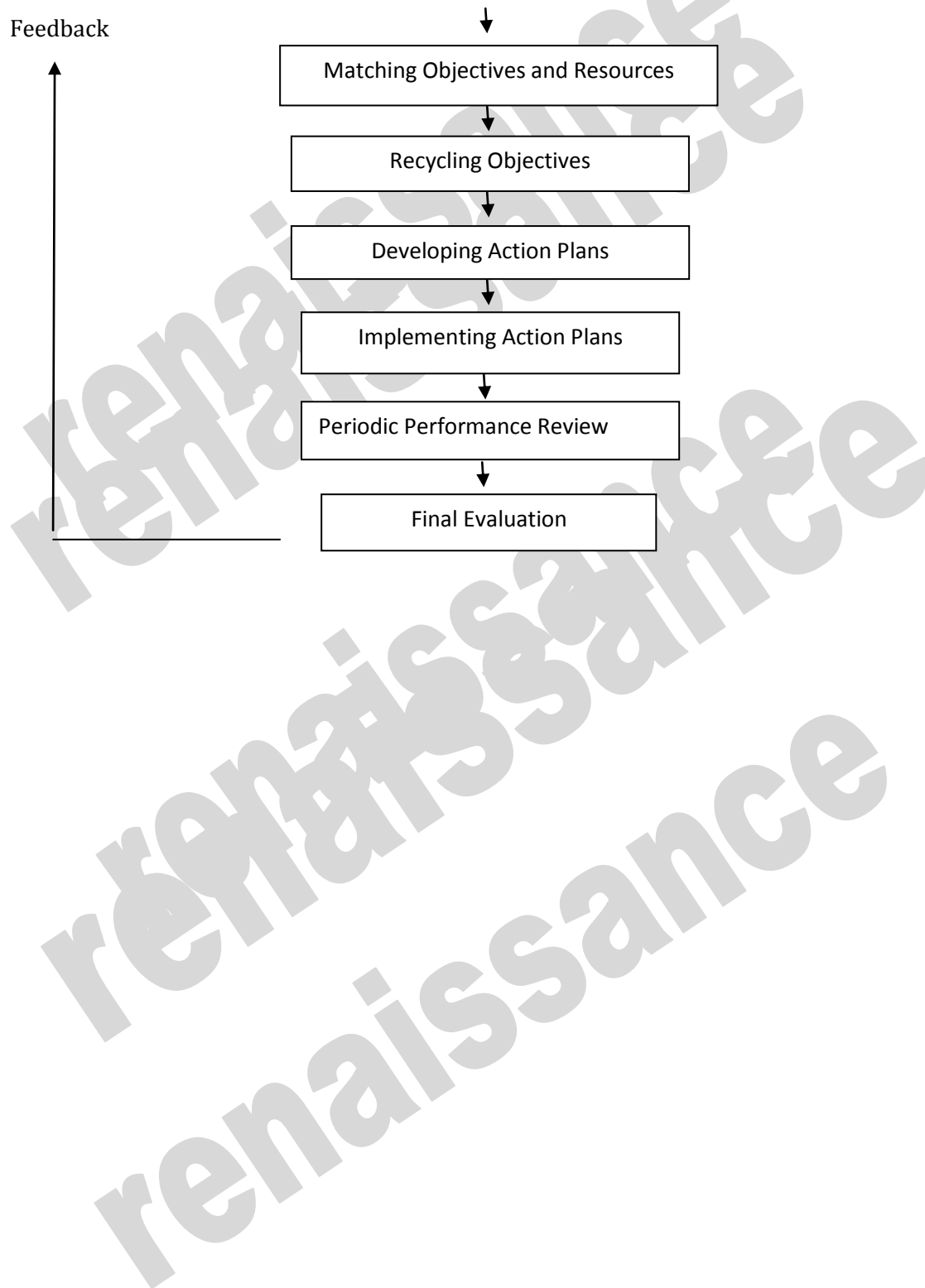
MBO is a process whereby both superior and subordinate managers jointly identify their common goals, of their work unit (department) and define each employee's major areas of responsibility and goals with his active participation.

### Characteristics of MBO:

1. **A philosophy of management:**
2. **Goal oriented approach:** It focuses on setting goals at every level of the organization. In MBO, goal setting begins at the top management level and filters down, one level at a time.
3. **Common objectives and individual goals :** MBO is the process of setting objectives of the organization as well as the each individual's goals.
4. **Participation and involvement :** MBO approach proposes the participation and involvement of all people in goal setting.
5. **An interactive approach:** MBO is an interactive approach to goal setting. Managers and subordinates both are actively involved in setting goals.
6. **A comprehensive approach :** It is a comprehensive approach. It considers both the economic and human aspects of an organization.
7. **A systems approach :** It takes into account the internal as well as external environmental factors.
8. **It applies to total management system :** It can be used with an entire organization, a department or a sub unit having only one subordinate.
9. **Aims at optimum results.** MBO approach provides for interim review of the results and evaluation of performance at the expiry of the time fixed.
10. **Simple universal approach :** The MBO approach to managing is logical, appeals to common sense and enjoys wide spread popularity.
11. **Multiple uses :** MBO technique is used not only in planning but it is also used in performance appraisal, motivation, and control.

### PROCESS OF MBO









### ADVANTAGES OF MBO :

- 1 • **Encourages result oriented philosophy**
- 2 • **Clearer goals**
- 3 • **Effective planning**
- 4 • **Clarification organizational roles**
- 5 • **Coordination**
- 6 • **Motivation**
- 7 • **Facilitates control**
- 8 • **Improved performance appraisal**
- 9 • **Cordial relations between superior and subordinate**
- 10 • **Development of managerial skills**



**LIMITATIONS OF MBO**



Failure to teach philosophy of MBO

Lack of guidelines

Inflexibility

Time consuming

Incomplete understanding

Difficulty of setting goals

Over use of quantitative goals

Dynamic & complex environment

Ignores relationship behavior

**LEADERSHIP**

Leadership is an integral and important part of management and plays a very vital role in managerial process.

Leadership is the ability to build up confidence and zeal among people and to create an urge in them to be led. Leadership is the practice of influence that stimulates subordinates or followers to do their best towards the achievement of desired goals.

The ability to lead effectively is a key to better managerial performance. There is not magic formula of becoming a good leader. Effective leaders are not created by simply attending a one-day leadership workshop, yet it is not totally in their genes either. One can become an effective leader if a person has willingness to invest the time and energy to develop all the “right-stuff”.

Leadership is the activity of influencing the behavior of people to work willingly and with determination for the accomplishment of specific goals & objectives. A person who attempts to influence the behavior of others become a potential leader and the people he is attempting to influence are called as potential followers.



“Leadership is a ability to influence a group of people so that they strive willingly and enthusiastically towards the achievement of goals.”

Elements of willingness is very important in the definition of leadership this elements differentiates leadership (leaders) from the managers. Motivating and influencing people to move towards a common goal are the elements of management but the “willingness” of the followers to be led, highlights the special quality of leaders that puts them above the managers. Leadership is a function of-

L = leadership

F = Functional Relationship

G = Goal

W = Willingness of subordinates

S = Situation

### NATURE OR CHARACTERISTICS OF LEADERSHIP

1. **Personal Ability:** Leadership is basically a person ability and skill. It is a personal power which arises out of knowledge, expertise and personality. According to Koontz and others, it is the ability induces subordinates to work with confidence and zeal towards the achievements of organizational goals.
2. **Followership.** Leadership requires followers. It is inseparable from followers. Involves other people, usually in the form of subordinates. It cannot exist without group of followers. Koontz and D'Donnel say, “The essence of leadership is followership. It is the willingness of people to follow that makes a person a leader.”
3. **Influencing Behaviour:** Leadership envisages “the power of influence.” It involves an attempt to influence another group member.
4. **Interpersonal Relationship:** Leadership involves group behaviour. It is interaction between a leader and one or more followers. It is a reciprocal relationship.
5. **Mutual Goals:** Leadership involves a community of interest between the leader and his followers. It exists from the realization of common goals.
6. **Its Essence is Performance.** Leadership depends on doing. Most people agree that leadership is not a personality trait, but doing something-guiding, directing, influencing or mobilizing actions. Peter Drunker has rightly remarked, “Leadership has little to do with ‘leadership qualities’ and even less do with ‘charisma’. It is mundane, unromantic and boring. It is work. Its essence is performance.”
7. **Exemplary conduct:** Leaders not only but also influence by their behaviour. They put example in their actions before the subordinates. Urwick has rightly said, “It is not what a leader says, still less what he writes, that influences subordinates. It is what he is. And they judge what he is by what he does and what he behaves.”
8. **Leadership is Situational:** It assumes that leaders are the product of given situations. Leader emerges out of situation. Leadership is dynamic art. The most effective way to lead is a dynamic and flexible process that adapts to the particulars situation.
9. **Assumption of Responsibility:** The leader assumes full responsibility for all actions of his followers. He remains responsible in all situations.
10. **Importance of Communication:** Leadership is established through the communication process. Communication affects the behaviour and performance of followers. The inability to communication is a serious deficiency in influencing people.
11. **All Managers are not Leaders:** Manager are appointed and have legitimate power that allows them to reward and punish. In contrast, leaders may either be appointed or emerge from within a



group. Leaders can influence others to perform beyond the actions dictated by formal authority. They have personal capabilities to influence others. However, not all leaders necessarily hold managerial positions.

12. **Leadership may be Formal or Informal:** Managers who influence the behaviour of their assigned group are the formal leaders of organizations. Their ability to influence is founded upon the formal authority inherent in their positions. Within the organization, informal groups develop, and within those groups informal leaders who influence the behaviour of other group members.
13. **Four-faceted Concept:** Leadership involves four elements - leader, followers, organization and the environment (social, economic and political conditions.) These affect one another in determining appropriate leadership behaviour. To Terry, it implies that "almost everyone can at times show leadership behaviour."
14. **Process:** Leadership is a process engaged in by certain individual. It is an ongoing activity in an organization. Its outcome is some form of goal accomplishment.

### Importance/Functions of Leadership -

In brief, some important functions of a leader are as follows:

1. **Formulate Purpose:** A leader defines institutional mission and role. He not only formulates the purpose of the group, he also advances it. His approach is goal-oriented.
2. **Inspire and Initiate Actions:** A leader inspires individuals to make their optimum contribution to organization goals. According to Urwick, the leader initiates all those measures necessary to keep the undertaking healthy and progressive within a competitive economy.
3. **Administer the Organization:** To administer and undertake, a leader performs the functions of forecasting planning, organizing, direction, coordination and control.
4. **Interpret Reasons:** Leaders make sense of dynamic environment and interpret it to employees. They redirect their efforts to adapt to changing conditions. Urwick says, "Leaders interpret the reasons for everything to everybody."
5. **Represent the Institution.** Representing his institution in dealings with outside groups: government officials, suppliers, customers and the public in general is another function of a leader.
6. **Group Interaction:** The leader facilitates interaction and exchange of idea among organization members. This is done through communication system, which is maintained in the organization.
7. **Goal Accomplishment:** The leader persuades all subordinates to contribute to organizational goals in accordance with their maximum capability and zeal.
8. **Develop Teamwork:** A good leader always attempts to gain an understanding of group dynamics and to develop and nurture voluntary co-operation. He develops trust and friendliness by bringing consistency and fairness in his actions.
9. **Direct and Discipline the Employees:** The leader gives necessary instructions and guidance to the individuals in a formal way. He develops devoted and loyal followers and maintains obedience through discipline.
10. **Ordering of Internal Conflict:** The leader seeks to maintain harmony among the members of the organization. He tries to prevent his group breaking up into opposing factions.
11. **Defend the Organization's Integrity:** The leader integrates the group with the organization. He protects the ethical values, human ideals and working principles.
12. **Maintain Stability.** The leader also helps maintain the stability of an organization in a turbulent environment. He assists in internal coordination and maintains a stable work force.

### Distinction between Leadership and Management





**STYLES AND PATTERNS OF LEADERSHIP:**

**a. Style based on attitude:**

1. **Positive Leadership-** In this style of leadership leader use positive rewards like recognition, pride & Praise as well as extrinsic rewards like salary hike, promotion, increase of perks & allowances to get the work done from people. Positive leader has a mindset that rewards will make employees happy & satisfied and will motivate them to work effectively and efficiently as desired from them. People will always focus on improving their performance for getting more rewards. This style of leadership leads to higher job satisfaction and performance.
2. **Negative Leadership-** In this style of leadership leaders use negative rewards like fear loss of job, reprimand, demotion, fear of suspension, force, threats penalties or a few days off without pay on people to get the work done from them. This style can help in getting good results in many situations but it is not human in nature and creates a negative & non- acceptable image of a leader in the mind of followers. It leads of more of bossism than leadership.

**b. Style based on use of Authority:**

1. **Autocratic style-** This style of leadership is also known as authoritarian or directive style. This style involves retention of full authority by the leader. Leader makes all the decisions without even consulting and involving employees. In this style of leadership leader only gives order & instructions to their subordinates for getting the work done and also expects from subordinates to follow the orders and instructions. Leaders assume full responsibility for all the actions.

**Advantages:**

- i. This style of leadership leads to quick decision making as leaders does not need to consult their group members.
- ii. It allows the use of less competent subordinates.
- iii. It provides security & structure to employees.
- iv. It provides strong motivation to self-centered leaders.
- v. It is useful to those subordinates who are not interested to assume responsibility.

**Disadvantages:**

- i. It creates fear & frustration & provides less freedom of work & self development to employees.
- ii. It gives adverse effect on productivity.
- iii. It restricts the development of future leaders.
- iv. It leads to defensive behavior from subordinates.

2. **Democratic or Participative Style-** A participative or democratic style of leadership is one in which managers involve their subordinates in decision making. There is decentralization of authority by leaders and they consult & encourage subordinates for participation in decision making process. There is high regard for people and sufficient freedom is allowed to people to work.

**Advantages:**

- i. This leadership leads to qualitative decision making as number of people are encouraged to express their ideas.
- ii. A positive & human relationship is established between the leader and followers.



- iii. It creates job satisfaction motivation and morale & also reduces employees' grievances.
- iv. It creates an environment of trust, confidence, mutual co-ordination & loyalty.
- v. It improves talent, productivity employees and also increases their acceptances to management ideas & actions.

**Limitations:**

- i. It leads to delay in decision making.
- ii. This style works well if employees are skilled & well informed about organizational problems.
- iii. This style can result into complete loss of leaders control over the employees.

3. **Free-rein Style-** This style of leadership is also called as laissez- faire. In this style of leadership leaders abdicates from leadership position and depends mostly upon the group to establish its own goals and to solve their own problems. Subordinates are given high degree of freedom in their operations. They are their own trainees and source of motivation. Free rein leader avoids power & responsibility and only provides information & represents the group to outsiders. This type of leadership is effective only when the group members are highly knowledgeable, independent, motivated and fully dedicated to the firm.

**Advantages:**

- i. It helps in the personality development of subordinates.
- ii. It gives the feeling of responsibility among group members
- iii. It creates climate of work freedom & team spirit.

**Disadvantages:**

- i. It may result in disorganized activities.
- ii. It leads to absence of centralized authority which results in group conflict & loss of group cohesiveness.
- iii. Some leaders use this style to avoid responsibility.
- iv. It leads to "non-leadership" and lack of control of leaders over employees.

- C) Style based on Behaviour of leader-** This type of leadership focus on behavior of leader towards the task as well as the people who are performing the task. A four combination style of leadership can be based on behavior of leader.

- i. **High-task and Low-Relationship-** This type of leadership leader has the main emphasis on the accomplishment of tasks and spends very less time to maintain relations & to provide psychological support to employees. This is more of work-oriented approach and is suitable where the employees are in experiences with the work to be performed. This type of leaders is not necessarily rude or discourteous.
- ii. **High-Task and High Relationship-** In this type of leadership style a leader gives high emphasis to both task accomplishment as well as Relationship building with employees. Leader spends considerable time to get work done and provide psychological support to employees. This leadership style is best in situations where people need an active & involved leader as well as in case of lack of self-confidence, or technical in employees.
- iii. **High Relationship and Low Task-** A leader using this type of leadership style gives much encouragement & psychological support to employees but gives a minimum guidance about the task accomplishment.
- iv. **Low Relationship and Low Task-** These leaders have a free-rein leadership style and give very little support, encouragement, praise as well as guidance to do work to employees. This style can be followed where subordinates are highly skilled & mature.



**D) Style based on assumptions about people-** Here leadership style depends upon the assumption which a leader has about his subordinates. This two way classification of leadership is based on MC Gregor's theory X & theory Y of motivation. This style is basically of two types-

- i. **Job-Centered Leadership-** This is a task oriented style of leadership where by a leader focus on getting work done effectively by employees. It is concerned with work designing, production, planning, development of incentives, resource allocation to increase work productivity. This type of leaders focus on making employee work and plan out for worker's job tasks and job out comes. This style of leadership is suitable for theory X leaders who distrust people and believe in close supervision.
- ii. **Employee- Centered Leadership-** This is people where leaders treat subordinates as person, avoids close supervision, and actively considers needs of employees and encourages them to glow, develop. This leadership style is for theory y leaders who trust their subordinates and encourage their participation and development.

**E) Style based on decision making -** Likert classified four styles of leadership-

| System 1                    | System 2                    | System 3                      | System 4                       |
|-----------------------------|-----------------------------|-------------------------------|--------------------------------|
| Exploitive<br>Authoritative | Benevolent<br>Authoritative | Consultative<br>Authoritative | Participative<br>Authoritative |

- i. **Exploitive Authoritative-** He is highly autocratic, little trust on subordinates; limits decision-making at the tap, avoid upward communication & motivate people through fear.
- ii. **Benevolent authoritarian-** This kind of leader has a patronizing attitude towards employees, invites new ideas from subordinates allow some delegation and motivate then by rewards and some use of punishment.
- iii. **Consultative Authoritarian-** Leaders have substantial but not complete trust in employees. They invite ideas from subordinates, allow for decision making by subordinates in some case but act consultatively in various matters.
- iv. **Participative authoritarian-** Leaders have complete trust in decision-making of employees in all matters. He involves high level participation of subordinates, set high performance of goals & act a source of knowledge & guidance for subordinates. According to Likert those who apply 4<sup>th</sup> style of leadership are more successful as leaders.

**F) Style based on concern for production versus concern for people:**

**Managerial Grid Style-** This leadership style was given by Blake & Mouton. This grid classifies leaders as having five dimensions- concern for people and concern for production. Grid shows five combination of leadership style.

- i. **Impoverished Management-** It has low concern for both people and production. The leader has minimum involvement in his job and only act as a messenger for communicating information from superiors to subordinates.
- ii. **Country club Management-** Under this style a leader has no concern for production but has only concern for people. He concentrates on warm human relations.
- iii. **Task Management-** Under this style leads is highly concern for task management and little or no concern for subordinates needs & motivation
- iv. **Team Management-** Leaders has strong regard for both people and production. Team leader's leads to high morale and high efficiency.
- v. **Middle Road Management-** Leader give medium concern for production and for people and leader attains adequate level of performance by balancing efficiency with reasonable goods human relations. Blake & Mouton suggests that the team leaders' style (9, 9) is most effective because it combines a high degree of concern for people as well as production.



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### THEORIES/APPROACHES OF LEADERSHIP

#### 1) Personality theories:

Personality theories are theories that focus on the personal qualities of leaders.

##### a. Trait Theory:

Trait theory of leadership focuses on the individual characteristics or set of traits or features which all the successful leaders have and which make them distinct from their followers. The criteria for becoming a leader depends on the set of features or personality traits which a person possesses. A broad category of traits of successful leaders are as under-

1. Physical characteristics such as age, weight, height.
2. Background characteristics such as education, social status, motivation and experience.
3. Intelligence- ability, judgment, knowledge.
4. Task-oriented characteristics-achievement needs responsibility, initiative and persistence.
5. Social characteristics-popularity, Prestige, tact, diplomacy acceptance of social responsibility.
6. Maturity, human relations attitude, fairness, adaptability and open-mindedness.

##### Merits of Trait Theory:

1. This theory focuses on certain traits which a leader should have which make them differentiated from non-leaders.
2. This theory relates to the influence of personality on one's effectiveness.
3. This theory has certain practical implications. If proper leadership traits could be identified, it would be able to get good leaders. This theory differentiates leaders from non-leaders on the basis of personality traits.

##### Limitations of Trait Theory:

1. List of personality traits of successful leaders is not specific.
2. This theory assumes that a leader is born and not trained.
3. Leadership effectiveness does not depend on personality of a leader alone.

##### b. Great man theory of leadership:

Great man theory of leadership claims that "leaders are born, not made". This theory asserts that leadership qualities are inherited; it can't be acquired or developed through formal education and training.

#### 2) Behavioural Theories:

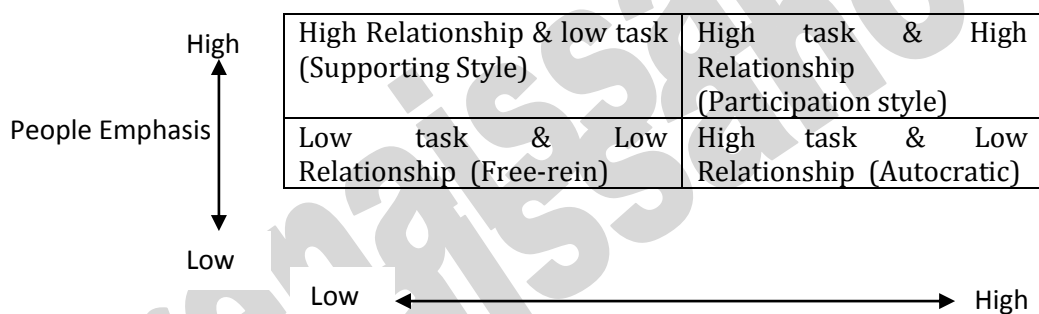
Behavioural theories give an emphasis on the behaviour of leaders rather than on the traits or personality features of a leader. This approach differs from trait approach in two ways-

1. Emphasis is made on leaders' behaviour instead of personal traits.
2. Trait studies separate leaders from non-leaders whereas behavioural studies emphasize on the impact of leaders' behaviour on employees' performance & satisfaction. There are two important behavioural theories-

- a. **Ohio State University Studies-** These studies were started shortly after World War II. The main objective of this study was to determine the major dimensions of leadership and to investigate employee performance & satisfaction. Two dimensions of leadership were identified in this study to identify the behaviour of leaders-
  - i. **The initiating Structure-** It refers to leader behaviour that defines & organizes the group tasks, assigns the task to employees and supervises their activities. Leader follows task-oriented behaviour.



- ii. **Consideration-** It refers to leaders' behaviour characterized by friendliness, respect, supportiveness, openness, trust and concern for welfare of people. This study states that both consideration and initiating structure are not been seen as being placed continuously. A leader can be high or low on both the dimensions or could be high on one & low on other dimensions.



**Main findings of Ohio state studies are-**

1. Consideration was positively related to low absenteeism and grievance, but it was negatively or neutrally related to performance.
2. Initiating structure was positively related to employee performance but was also associated with such negative consequences as absenteeism and grievances as absenteeism and grievances.
3. When both consideration & structure were high, performance and satisfaction was high but in some cases high productivity was accompanied by absenteeism and grievances.

- b. **Michigan Studies-** These studies were conducted during same period as at Ohio state and resulted in identical conclusions. Researchers at university of Michigan distinguished between two dimensions of leadership.

1. **Production centered-** Where leader set rigid tasks, standards describe work methods & closely supervise subordinates.
2. **Employee centered-** Where leaders encourage employee participation in goal setting & work decisions, have respect and trust and ensure high performance from employee.

Michigan study's findings were same like Ohio studies analysis that employee and work orientation are two separate dimensions and that a leader can be either high or low one the dimension or both and these dimensions cannot be placed continuously in leader.



Two styles developed by Michigan researchers were similar to Ohio state people.  
Production centered → initiating structure. Employee centered → consideration.

**3) Situational Approaches/ Theories:**

The Situational Approach of leadership emphasizes that emergence and success of a leader is largely determined by situational factors apart from the traits and behavior of the leader himself.



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## UNIT-III ORGANISATION

### Introduction:

The term 'organization' is used in many ways. It means different things to different people. Currently, the following uses of the term are popular:

- A group of people united by a common purpose.
- An entity, an ongoing business unit engaged in utilizing resources to create a result.
- A structure of relationships between various positions in an enterprise.
- A process by which employees, facilities and tasks are related to each other, with a view to achieve specific goals.

The dynamic interpretation of the term organization as a process is used in this unit.

### Organizing:

After the objectives of enterprise are determined and the plans and policies formulated for the achievement of this objective. Next step is to organize. It means to make arrangement of the things, which are required to achieve the plans.

### Definition of Organization:

Organization is a complete entity of management involved in arranging people; task and resources creating inter relations between them with a purpose to achieve long term and short term goals.

"Organizing is the process of defining and grouping the activities of the enterprise and establishing the authority relationships among them. In performing the organizing function the manager defines, departmentalizes, and assigns activities so that they can be most effectively executed."

"Organizing is the process through which managers identify what work needs to be done to accomplish the goals laid out in the planning process, divide work among units and individuals, and then coordinate the divided efforts so that the goals can be accomplished."

**According to Robins,** "Organizing means determining what task are to be done, who is to do them, how tasks are to be grouped, who is to do them, who reports to whom and where decisions are to be made".

### Characteristics & Elements of Organization:

1. Group of Persons
2. Departmentalization
3. Hierarchy of Authority
4. Common goals
5. Division of Labor
6. Resources
7. Co-ordination of activities
8. Co-operative efforts
9. Communication

### Organization can be of two types :

#### formal and informal -

| Point  | Formal Organization                | Informal Organization                     |
|--------|------------------------------------|---|
| Origin | and Deliberately created; reflects | Arises spontaneously: reflects individual |





|                        |   |   |
|------------------------|---|---|
| goals                  | organizational goals: Basic purpose is to achieve organization goals.   | and group goals: basic purpose is to improve human relations.   |
| Structure              | It has a definite structure and is reflected in an organization chart built around group positions.   | Structure less: organization chart built around people.   |
| Integrating mechanisms | Formal organization is held together by rules, regulations and procedures   | Held together by feelings of friendship, mutual help and trust, and so on; it has unwritten rules and is bound by group norms rather than organizational goals.                     |
| Communication          | Formal organization depends on formal official channels of communication to sell the ideas of management to the organization; communication is a one-way traffic. | The informal organization designs its own communication popularly known as grapevine, for both organizational and social communication process; communication is a two-way traffic. |
| Size                   | Tends to be large in size, generally unwieldy and unmanageable.   | Tends to be small and manageable.   |
| Durability             | Tends to be permanent and stable.   | Characterized by instability.   |
| Orientation            | It is more or less, an impersonal and arbitrary structure, to which individuals must adjust.  | A highly flexible structure designed to satisfy social and psychological needs of individuals.  |

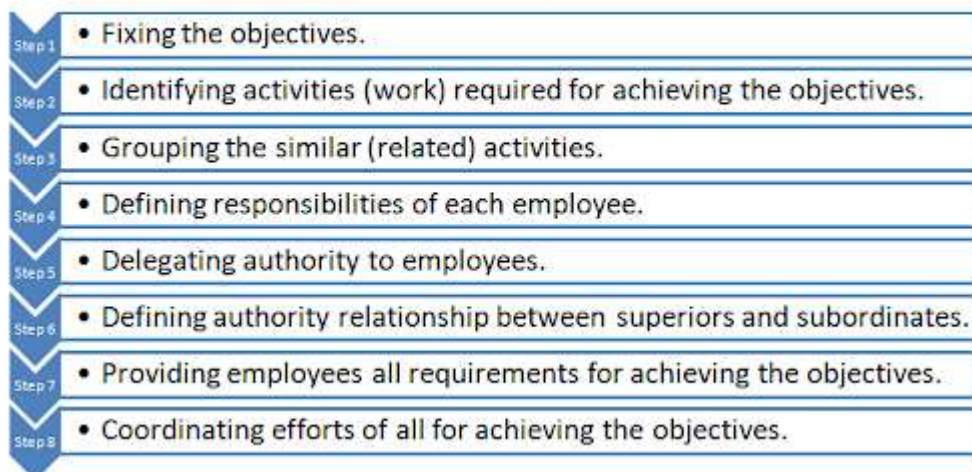
### Purpose of Organizing:

1. The organizing defines every employee's task, duties, responsibilities and goals
2. It establishes the authority, responsibility relationship for cooperative and coordinated efforts.
3. It provides a framework of decision making
4. It creates a network of communication for the purpose of achieving the enterprise objectives with optimum efficiency and effectiveness.
5. It facilitates administration
6. Facilitates growth diversification.

### **Process of Organizing :**

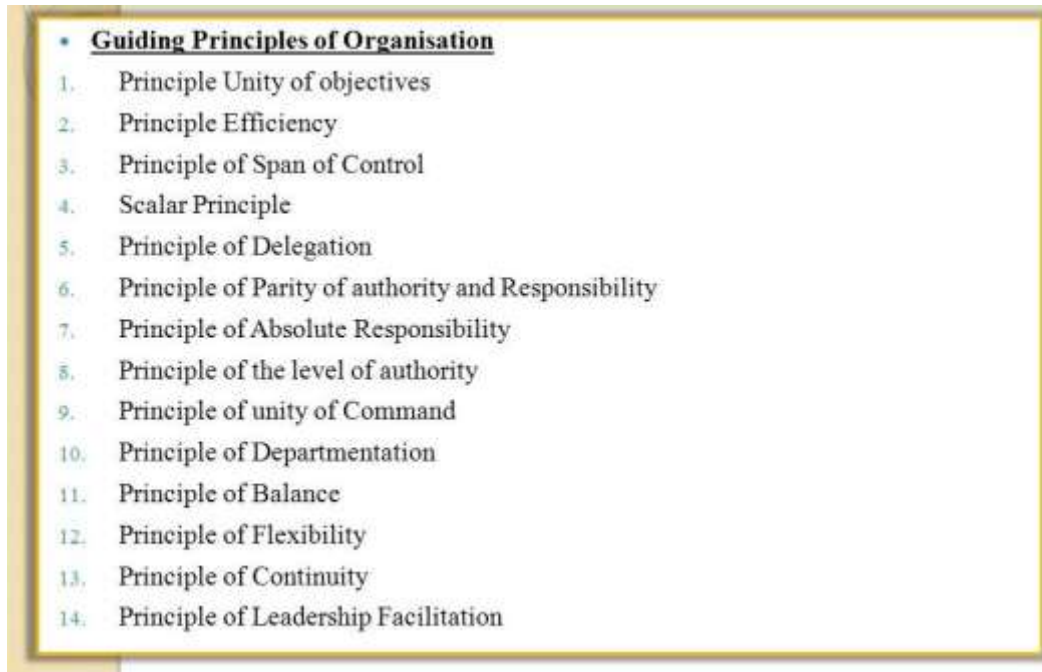


## Steps in Organising Process or Organisation as a Process



- **Determination of objectives:** the first step in the process of organising is to determine the objectives of the organising.
- **Identifying the work:** We organize to achieve objectives. So, it is essential to identify the total work necessary to achieve the goals. The work must be classified in a systematic way so that each person in the organization gets a separate and distinct task. Work must be divided and distributed because no one can handle the total work in an organization single handed.
- **Grouping the work:** Division of work creates the need for coordination. In order to provide for a smooth flow of work all closely related and similar activities must be grouped together. Thus, departments and divisions are crated under the direction of a manger.
- **Establishing relationships:** In order to secure compliance to organizational directives, reporting relationships must be specified. Once formal relationships are established, it would help individuals know what must be done, how it must be done, to whom the matters must be referred and how particular jobs related to one another, etc.
- **Delegating authority:** Authority is the right to act, to issue orders and exact obedience from others. Without authority, a manager may not be able to perform the tasks with confidence and show results.
- **Providing for coordination and control:** The interrelationships between various positions must be specified clearly. The activities and efforts of various individuals must be coordinated. The performance must be measured, evaluated and controlled at frequent intervals. If deviations occur, they must be spotted early and appropriate remedial steps taken immediately.

### Principles of organizing:



## Organization Structure :

Organization structure is the way work is divided among units of the organization. It is concerned with the establishment of positions and authority relationships. It is the framework within which managerial and operating tasks are performed.

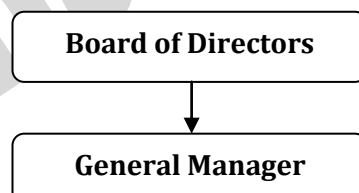
“Organization structure is a set of formalized tasks assigned to individual and work units, formal reporting relationships and the development of integration system.”

There are various Structures for the organization. As per the suitability of the organization they have to select the appropriate structure for the organization:

**1. Line Organization:** Line organization is the oldest type of organization which is also known as military organization. It is characterized by direct lines of authority flowing from top to bottom levels of organizational hierarchy and the lines of responsibility and accountability flowing in a opposite but equally direct manner. More specifically, in line organization lines of authority & commands runs from top managers (Ex-Board of directors) to the lowest level of managers (Ex-Supervisor) through the Process of Delegation & redelegation of authority & line of responsibility flows vertically upward from bottom to top organization.

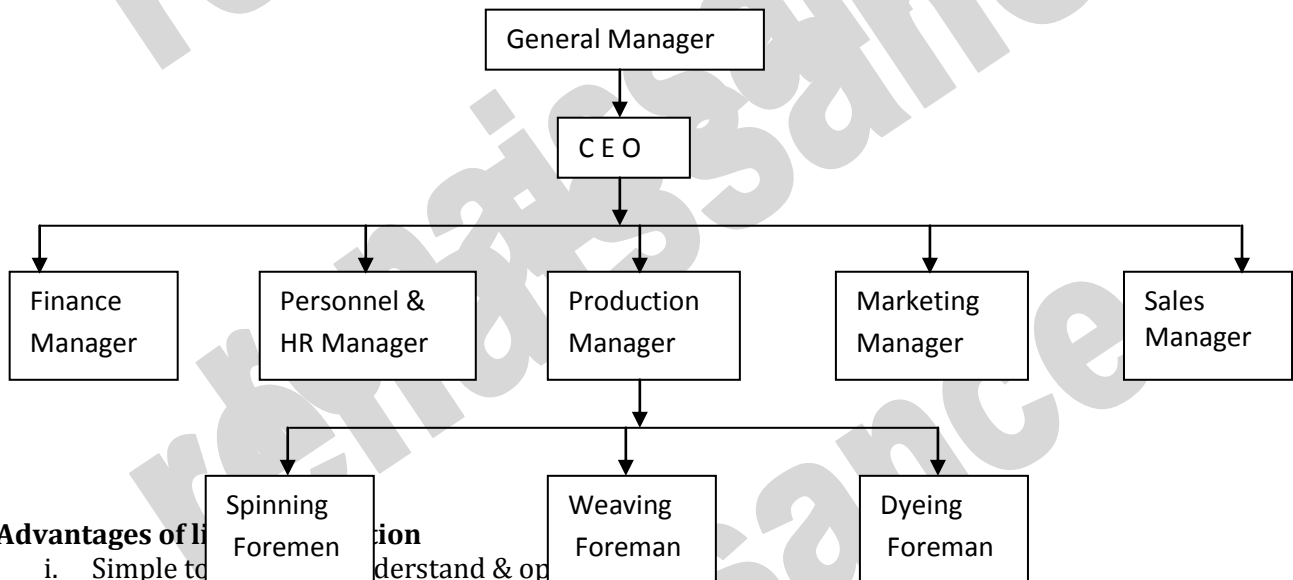
There are two types of line organization:

- Pure line organization:** All the individuals at any given level perform the same type of work & are divided into groups only to enable effective control & supervision.





- ii. **Departmental line Organization:** The business is broadly divided into departments which are put under charge of various departmental heads. Each departmental head derives authority from chief executive & has complete control over his own departments. All departmental heads enjoys equal status, authority & their function independently. No departmental head can issue orders & instruction to subordinate of any other department.



#### Advantages of line organization

- Simple to understand & operate
- Speedy action
- Proper Discipline
- Fixation of Responsibility
- It is less costly

#### Disadvantages of line organization

- Overloading
- Lack of specialization
- Autocratic leadership
- Lack of stability
- Inefficiency of Decision Making
- Not suitable for large enterprises

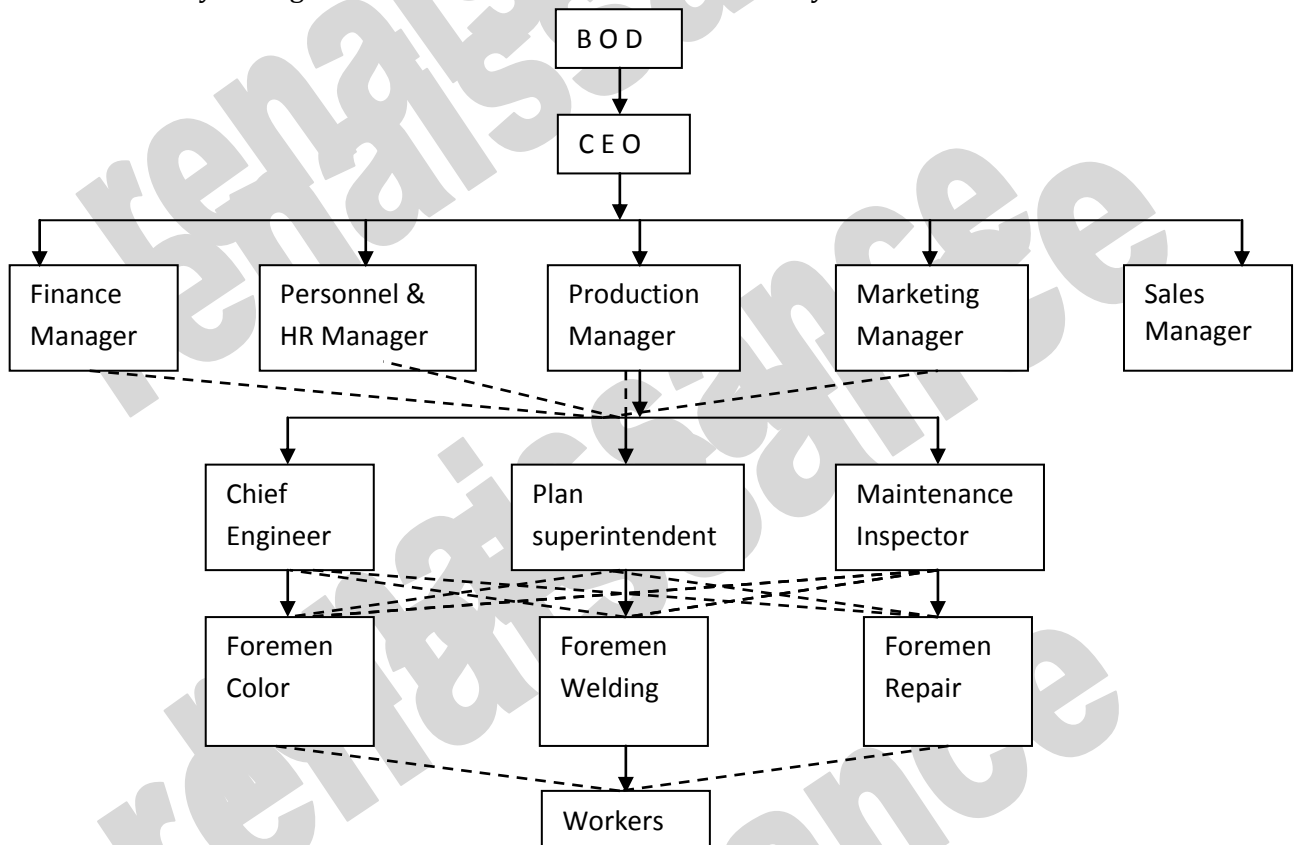


vii. Communication Gap.

**2. Functional Organization:** It refers to the organizational in which activities are classified into a number of functions such as Production, Marketing, Finance, HR etc. A functional specialists directs the subordinates throughout the organization in the field of his Particular function i.e. subordinates are accountable to different functional specialist for performance of different functions. Functional authority is limited form of line authority given to functional experts over employees in other departments.

For Ex-Finance Manager is given the authority to directly issued orders and instructions to branch manager &

factory manager to ensure effective utilization of money.



### Advantages of functional organization

- Specialization
- Efficiency
- Simplified staffing
- Growth & Development
- One man control is replaced by joint control
- Relief to executives: It reliefs the top executives from the burden of operating and they can focus on strategic planning

### Disadvantages of Functional Organization

- Complexity: It creates confusion and overlapping of authorities and it is difficult to fix up the responsibility for the final results. "Passing the buck" is very common.
- Lack of Co-ordination: Conflicts between different staff specialist makes co-ordination & co-operation difficult.

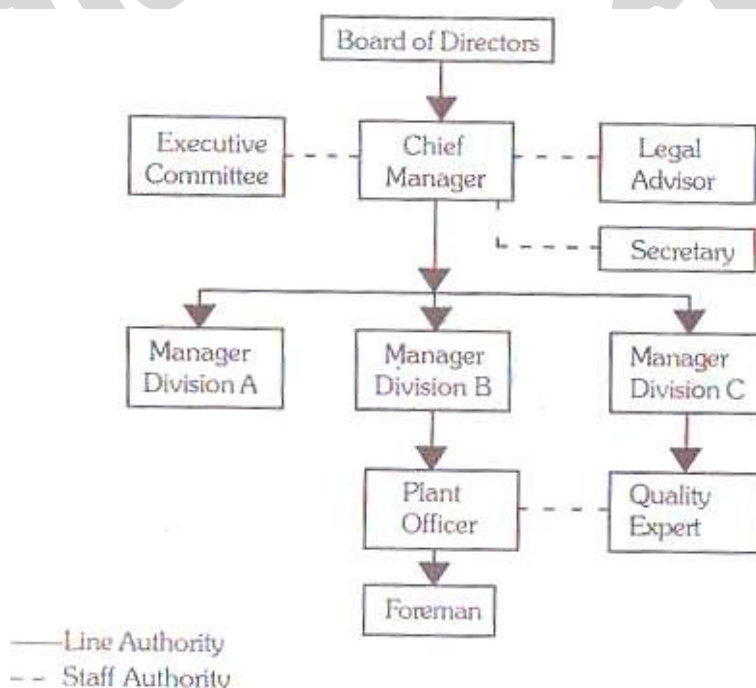




- iii. Costly: hiring of experts calls for large salaries and so to the increased clerical work.
- iv. Delay in decision making: Divided control tends to delay the action particularly when more than one specialist is involved. Consulting the staff experts & coming on consensus calls for time & delays in decision making.
- v. Overburdening of Operating Subordinates
- vi. Indiscipline: due to no unity of command their exist dual subordinate leading to conflicting orders & divided loyalty & other problems as to discipline.

**3. Line & Staff Organization:** Line organization involves complete centralization while functional organization involves too much division of control. Line & staff organization is designed to maintain a proper balance between centralization & division of control.

Line & Staff organization is one that has line managers with direct vertical relationships between different levels in the organization in addition to the specialist responsible for advising and assisting the line managers. Line managers are one who are responsible for making decisions & accomplishing the objectives set for them. While staff means “support” & is intended to provide technical advice or service to the manager their relation is purely advisory and they cannot issue instructions to subordinates outside their own departments.



#### Suitability :

- 1. Suitable for medium to large enterprises.
- 2. Organization which can afford high investment.
- 3. Production of goods & services which required specialized knowledge.

#### Advantages of Line & Staff Organization

- 1. Better utilization of resource; Line executives can concentrate fully on execution of work as the function of investigation & advise is taken over staff also departmental staff are not overburden by technical details.
- 2. Sound & Efficient decision making



3. Planned specialization: As per the skill requisite activities are divided between line & staff while line is focusing & advisory activities.
4. Better co-ordination: Co-ordination of information & activities gets easy.
5. Scope of growth & expansion
6. Easier to maintain discipline & control because it does not hamper unity command like in functional organization.

**Disadvantages of Line & Staff Organization**

1. Costly: Two separate time of execution line & staff
2. Time Consuming
3. Line & Staff Conflicts: Line manager may advise thinking it impractical while staff may tender half baked ideas because it is not held responsibility.
4. Lack of understanding between line & staff is common.
5. Confusion: Relation between line & staff is not clear which makes authority & responsibility relation very complex & people at lower level get confused who is to do what & how.
6. Overdependence: Line manager may depend too much on staff experts for ideas & information as a result they may lose their own initiative, thinking & judgment.

**4. Project Organization:**

Project organization is a temporary structure designed to accomplish a specific task or project with the help of specialist drawn from different functional departments within the organization. It consists of number of horizontal & diagonal relationships to accomplish a specific project goal of a long duration. When project is completed all members move on to a new project or return back to their home departments in the organization or may lead to parent organization. A project manager is given line authority over the team members during the life of project.

Project manager is a person who is responsible for coordinating the activities of several departments & completion of target within specified time, cost & quality framework.

**Advantages of Project Organization**

1. Specialist Services
2. Timely work
3. It increases the co-ordination between different departments.
4. Flexible Structure
5. There is set unity of command & direction.

**Disadvantages of Project Organization:**

1. Costly
2. There are lot of Physical, financial & human constraints.
3. There is divided loyalty or there is overburden of company job & Project work.
4. There are chances of conflicts.
5. There is chance of over specialization & it will lead to delay in decision making & work will go beyond time & cost.
6. Project manager have very limited line authority

**Suitability of Project Organization**

1. Organization which deals with projects for definite goal & time period and when work activity is interdependent.



2. When work is of temporary nature
3. When expected profit or loss can be measured.

**5. Matrix & Grid Organization:** It is a mixture of functional & project organization. Matrix or grid organization is a hybrid organization which combines project structure with functional structure. It is a permanent organization structure design to accomplish specific project (or to achieve specific result) by using teams of specialists drawn from different functional departments within the organization & externals are also there. Functional managers are in charge of specialized resources such as production, quality control, Marketing, Inventories & finance. Project manager is in charge if one or more projects. In a matrix organization the team members are accountable to both project manager as well as head of functional department to which they are permanently assigned.

#### **Suitability**

1. When there is a complex rapidly changing environment in which needs to be flexible & adaptable?
2. When there is a pressure for shared resources
3. Presence of intense external competition.

It is particularly suitable for aerospace, construction, industrial plans, Advertising, Hospital, College project within the specified time & cost framework.

#### **Advantages**

1. Efficient use of human resources
2. Interdisciplinary cooperation
3. Enhanced communication both laterally and vertically
4. Customisation of organizational and customer needs
5. Training and team work

#### **Disadvantages**

1. Violation of traditional organizational principles
2. Dual reporting relations and role ambiguity
3. Cannibalization- competition between scarce resources within the system
4. More meetings and discussions than action
5. Costly

**6. Committee Organization:** A committee is a group of two or more appointment, nominated or elected persons to consider discussing, to decide recommend or report on some issue or matters assigned to it. Committees differ in number of dimensions such as purpose, membership, decision making authority or nature of work.

It can be:

- i. Advisory or Executive committee
- ii. Line or Staff committee
- iii. Formal or Informal Committee
- iv. Coordinating Committee
- v. Standing Committee

#### **Suitability**

1. This kind of organization structure is commonly used in government organization where they create specific committee to resolve social issues.
2. Where issues in question requires experts opinion & coming to a consensus.

#### **Advantages**

1. Experts Opinion



2. Broad Picture to the issue
3. Democratic way of decision groups
4. Representation of interested groups
5. Sharing of information & promotion of new ideas.

### Disadvantages

1. Reports submitted by committee members are only recommendations or probable solutions to the issue. Their implementation is subject to authority approval to whom report is submitted.
2. Waste of Money, Time & Energy.
3. No one supreme authority to decision making: All representatives are there & they all do not have decision making authority.
4. Lack of Secrecy.
5. A Committee mostly consist of 3 men, 2 of whom are absent.

### DIFFERENCE BETWEEN LINE ORGANISATION AND LINE AND STAFF ORGANISATION

| S.No. | Line Organization  | Line and Staff Organization   |
|-------|--|---|
| 1     | This form of organization has lack of specialists. So decisions are not more correct.  | <b>The decisions about organization are more strong because at the time of decision, the advice of expert is taken.</b>           |
| 2     | The authority is centralized. All decisions are taken at top level.  | <b>The centralization of authority is comparatively less, departmental management has also the opportunity to take decisions.</b> |
| 3     | This organization is fit for small enterprise.   | <b>This organization is fit for bigger enterprises.</b>   |
| 4     | <b>This organization has simplicity because there is clear authority line from top to below and promotions happens easily.</b> | <b>It has complexity, there is no clear authority from top to below, many problems arises due to specialists.</b>                 |

### DIFFERENCE BETWEEN FUNCTIONAL ORGANISATION AND LINE AND STAFF ORGANISATION

| S.No. | Functional Organization   | Line and Staff Organization   |
|-------|---|---|
| 1     | In functional organization, decisions are taken by specialists.     | <b>In line staff organization the decisions are taken by line officers, specialists give only advice.</b>   |
| 2     | In this organization full advantage of specialization is taken.     | <b>It this, the advantage of specilisation is not taken much due to not taking decision by specialists.</b> |
| 3     | In the organization the work in divided according to qualification. | <b>In this, the qualification of workers is not considered at the time labour-division.</b>                 |



- |   |   |   |
|---|---|---|
| 4 | In this organization, there are separate specialists for every work. So there is problem of coordination. | The line of authority is predetermined. So co-ordination is easy.     |
| 5 | In this organization, workers get instructions from different specialists.                                | In this organization, workers get instructions from a single officer. |

## DIFFERENCE BETWEEN LINE ORGANISATION AND FUNCTIONAL ORGANISATION

| S.No. | Basis of Difference                | Line Organization  | Functional Organization  |
|-------|------------------------------------|--|--|
| 1     | Simplicity                         | This is the simplest form of organization.                 | This is the complex form of organization                                       |
| 2     | Expenses                           | This is less expensive.                                    | Much money is to be spent in this organization.                                |
| 3     | Utility                            | This is useful for small units.                            | This is useful for big units.  |
| 4     | Specialization                     | This is not based on specialization.                       | This is used on specialization.  |
| 5     | Authority and responsibility lines | In it, authority and responsibility lines are up and down. | In, it authority and responsibility lines are up and down and horizontal also. |
| 6     | Specialists                        | The services of specialists are not taken in it.           | The services of specialists are taken in this organization.                    |
| 7     | Delegation                         | In this, delegation is vertical.                           | In, this delegation may be horizontal.   |
| 8     | Planning and execution             | In this, planning and execution happens simultaneously.    | In this, planning and execution are done separately.                           |
| 9     | Authority                          | The authority lies only in hands of line officers.         | In, this authority is given to specialists.                                    |
| 10    | Headism                            | In it, principle of single heads is implied.               | In this organization, the principals of many heads is implied.                 |

### Departmentation:

Departmentalization (or simply departmentation) involves grouping of operating tasks into jobs, the combining of jobs into effective work group and the combining of groups into divisions often termed as 'Departments'. Grouping activities into departments is an essential part of the process of setting up organization and of expanding them to any great degree.

### The main advantages of departmentation are:





- 1) It contributes to systematic distribution of work among individuals.
- 2) It contributes to the attainment of specialisation
- 3) It simplifies managerial tasks.
- 4) By defining the duties and responsibilities of the executives clearly, departmentation fixes accountability for the results. This makes the executive alert and efficient.
- 5) Departmentation increases the operating efficiency of the organisation.
- 6) By bringing about division of functions and responsibilities, departmentation provides sufficient scope for growth and expansion.
- 7) By giving sufficient powers to the managers in charge of different departments and allowing them to take their own decisions within the powers given to them, departmentation increases the prestige of the managers.
- 8) Departmentation is helpful to the management to evaluate the performance of the various departments and find out the departments which are not managed properly.

**The main disadvantages of departmentation are:**

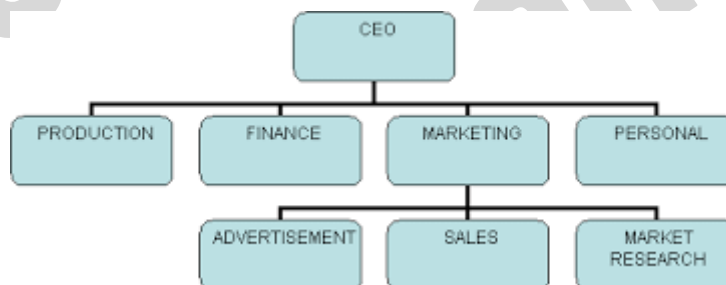
- 1) The problem of co-ordination gets complicated; the greater the number of departments and particularly levels, the more difficult becomes the task of co-ordination. And poorer the co-ordination, lesser would be the managerial efficiency and ultimately the overall output;
- 2) The work of communication, control, supervision and planning appears more difficult and increases the cost of managing a concern;
- 3) Because of the layering of executives, operating personnel may be far removed from top management and their change of direct contact may be a remote possibility.

**METHODS OF DEPARTMENTATION:**

**1. Functional Departmentation:**

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

**A simple representation of functional departmentation is given below:**



**Advantages:**

The important advantages of functional departmentation are:

- I. It is a very simple, natural and logical way of grouping activities.
- II. It promotes specialisation and expertise in various functional areas and experts can be employed.
- III. It facilitates co-ordination both within the function and at the inter-departmental level.



IV. It generates a high degree of centralisation at the level of chief executive.

### Disadvantages:

Functional departmentation suffers from the following drawbacks:

- (i) It may lead to internal frictions among the various departmental heads as one department may ignore the interest of the other,
- (ii) In functional departmentation, men are experts of these areas of function only. This hinders the development of all-round managers.
- (iii) It leads to excessive centralisation and delay in decision making.
- (iv) It is unsuitable where emphasis lies on products more than the functions.

### 2. Product Wise Departmentation:

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

A simple representation of product wise departmentation is given as follows:



Product wise departmentation is also known as multi-functional product departmentation, because each product department handles all the functions concerning it.

### Advantages:

The following are the main advantages of product wise departmentation:

- (i) It ensures better customer service.
- (ii) Unprofitable product lines can be easily determined.
- (iii) It solves the co-ordination problem of functional departments.
- (iv) It makes control effective.
- (v) It assists in the development of all-round managerial talent.
- (vi) It is flexible as a new product division can be easily added.

### Disadvantages:



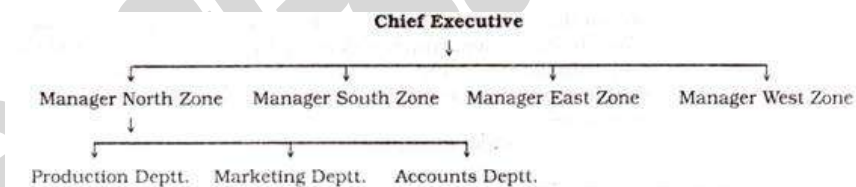
Product wise departmentation suffers from the following drawbacks:

- (i) It is expensive because of duplication of service functions in various product divisions.
- (ii) It may not be linked by customers and dealers who have to deal with different salesmen of the same enterprise for different products.
- (iii) It may cause difficulty in apportioning general expenses incurred by the enterprise as a whole.

### 3. Territorial or Geographical Departmentation:

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

There may be further sub-division of activities under one zonal manager as illustrated here:



Territorial or Geographical Departmentation

#### Advantages:

The territorial departmentation offers the following advantages:

- (i) It enables an enterprise to cater to the needs of local people in a satisfactory manner.
- (ii) It enables a concern to make use of locational advantages.
- (iii) It facilitates effective control.
- (iv) It facilitates effective co-ordination of activities within an area.
- (v) It assists in the development of all-round managerial talent.

#### Disadvantages:

- (i) It is an expensive method of creating departments and over head costs are also increased,
- (ii) It leads to duplication of activities which creates confusion and involves costs,
- (iii) Co-ordination among various territorial divisions may become difficult.

### 4. Customer Wise Departmentation:

A business house may be divided into a number of departments on the basis of customers it serves, viz., large and small customers ; industries and ultimate buyers ; government and other customers. The peculiar advantage of customer wise departmentation is that it ensures full attention to different types of customer and their different needs, tastes and requirements can be read effectively. However, it may not be possible to group all activities of an enterprise on the basis of customers. In fact, the activities may be classified or grouped on such basis. But there may be problems of co-ordination with other departments. There may not be enough work, at times, in case of certain types of Customers. This may lead to idle capacity.

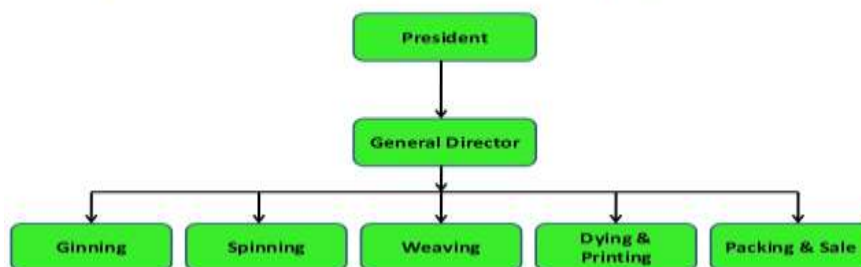
### 5. Process or Equipment Wise Departmentation:

An enterprise where production is carried through different processes may adopt process wise departmentation to enable continuous flow of production. Similarly, where work is carried on machines which are common, departments may be created on the basis of equipments, such as milling departments, grinding departments, lathe department etc. The main advantage of this method is that it



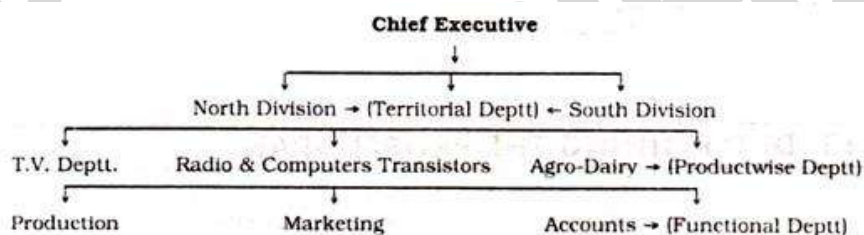
avoids duplication of equipment in various activities. Moreover, specialised people can be engaged to work on specialised equipments and departments.

## 6. Departmentation by Process or Equipment



### 6. Combined or Composite Method of Departmentation:

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



### The Span of Management:

The term 'Span of Management' is used to describe the number of subordinates who can be successfully directed by a superior. It is often called span of supervision; span of managerial responsibility, span of authority or span of control.

It is of two types –

**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.

**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.

There is an inverse relation between the span of control and the number of levels in hierarchy in an organization, i.e., narrower the span, the greater is the number of levels in an organization.

Narrow span of control is more expensive as compared to wide span of control as there are more number of superiors and therefore there are greater communication problems between various levels of management. Wide span of control is best suited when the employees are not widely scattered geographically, as it is easy for managers to be in touch with the subordinates and to supervise them.



In case of narrow span of control, there are comparatively more opportunities for growth as the number of levels are more. The more efficient and organized the superiors are in performing their tasks, the better it is to have wide span of management. The less motivated and confident the employees are, the better it is to have a narrow span of management so that the supervisors can spend time with them and supervise them well. The more standardized is the nature of work, like - if same task can be performed using same types of inputs, the better it is to have a wide span of management as more number of employees can be supervised by a single supervisor. There is more flexibility, prompt decision making, effective communication between higher level and lower level management, and improved customer interaction in case of wide span of management. Technological advancement such as internet, emails, mobile phones, etc. makes it easy for superiors to widen their span of control as there is more effective communication.

An ideal span of control according to modern authors is around 15 to 20 subordinates per manager, while according to the traditional authors the ideal number is around 6 subordinates per manager. In reality, the ideal span of control depends upon various factors, such as:

- Nature of an organization
- Nature of job
- Skills and competencies of manager
- Employees skills and abilities
- The kind of interaction that takes happens between superiors and subordinates, etc



### **Green Management –**

Green management is when a company does its best to minimize processes that harm the environment. Environmental issues are a company priority. For example, a company engages in green management because it recycles and has reduced the amount of waste dumped in landfills.





## OBJECTIVES

- ✓ Enhances environmental quality.
- ✓ provides family-supporting wages and benefits, with safe working conditions.
- ✓ provides access to training and a clear career track.
- ✓ Diversity of gender, race, geographic and age social and environmental benefits.
- ✓ Economic benefits
- ✓ The minimization of waste.
- ✓ The creation of jobs.



## FUNCTIONS

- Green businesses are socially and environmentally responsible.
- Green businesses care for their workers.
- Green businesses protect their customers and clients.
- Green businesses improve their communities.



## IMPORTANCE

- ❑ Green business is smart business. Going green provides bottom line cost savings, as well as a competitive advantage in the marketplace.
- ❖ Improve Profitability with Cost Savings
- ❖ Capitalize on Competitive Advantage
- ❖ Mitigate Risk
- ❖ Retain and Attract Top Talent.





## SOCIAL RESPONSIBILITY

Social responsibility is an ethical framework and suggests that an entity, be an organization or individual, has an obligation to act for the benefit of society at large.

Social responsibility is defined as the obligation and commitment of managers to take steps for protecting and improving society's welfare along with protecting their own interest.

### Arguments for assuming Social Responsibility:

1. Business received its license from society and consequently has to respond to the needs of society.
2. Society gains through better neighborhoods and employment opportunities; business benefits from a better community since the community is the source of its workforce and the consumer of its products and services.
3. Social involvement discourages additional government regulation and interventions. The result is greater freedom and more flexibility in decision making for business.
4. Business have a great deal of power which, should be accompanied with an equal amount of responsibility.
5. Modern society is an interdependent system, and the internal activities of the enterprise have an impact on the external environment.
6. Social involvement may be in the interest of stockholders.
7. Problems can constitute profits. Items that may once considered waste can be profitably used.

### Areas of Social Responsibility

- Responsibility towards owners
- Responsibility towards employers
- Responsibility towards consumers
- Responsibility towards government
- Responsibility towards community & society

### Corporate Social Responsibility:

Corporate Social Responsibility or CSR is popularly known as a system of gauging an organization's bearing on society and weighing their responsibilities. CSR is not just about getting involved in some charitable practices or having biological responsibility and a recycling policy. It is about the whole representation of the company which is to be considered, from internal practices to their clients, taking in every step that a business takes during its usual operations. It is a continuous commitment that companies should have towards the economic, social and environmental development of the community in which they operate. Several companies have now passionately taken up to the cause of CSR in countries with rising economies such as India. Corporate social responsibility is sustainable which involves companies to take up activities without having negative impact on their business. In the modern era, the new generation of corporate leaders considers optimization of profits as the key, rather than the maximization of profit.

### Advantages of CSR:



CSR should not be viewed as a drain on resources, because carefully implemented CSR policies can help your organisation:

- Win new business
- Increase customer retention
- Develop and enhance relationships with customers, suppliers and networks
- Attract, retain and maintain a happy workforce.
- Save money on energy and operating costs and manage risk
- Differentiate yourself from your competitors
- Generate innovation and learning and enhance your influence
- Improve business reputation and standing
- Provide access to investment and funding opportunities
- Generate positive publicity and media opportunities due to media interest in ethical business activities.

## Benefits of CSR





## UNIT – IV CO-ORDINATION AND DECISION MAKING

### Co-ordination :

Co-ordination deals with the task of blending efforts in order to insure successful attainment of an objective. Co-ordination may be defined as an on-going process whereby manager develops an integrated, orderly and synchronized pattern of group effort among the subordinates and tries to attain unity of effort in the pursuit of a common purpose. Co-ordination is a harmonious combination or interaction; it is the process of integrating the various factors of production and their function in an enterprise so as to make a harmonious combination of the factors and synchronize the functions as to time, place and objective.

### It is of two types:

- 1) Internal Co-ordination
- 2) External Co-ordination

### Features of Co-ordination:

- Continuous and never-ending process
- Refers to group effort and not to individual effort.
- Emphasizes unity of effort and united actions.
- Aims at the achievement of the mission.

### Co-ordination and Co-operation:

The distinction between co-ordination and co-operation is important, for one is not a substitute for the other. Co-ordination means working together for a common by voluntary action. On the other hand, Co-ordination is a process whereby the activities of each individual are consciously directed by the leader toward the completion of a major task in a certain length of time. Co-ordination is superior in order of importance of Co-ordination.

### Key Differences Between Coordination and Cooperation:

The following points are noteworthy so far as the difference between coordination and cooperation is concerned:

1. The systematic arrangement and synchronisation of different elements of management so as to ensure, smooth functioning, is known as coordination. The act of working jointly or complying with standards, for the realisation of common goals, is called cooperation.
2. Coordination is a fundamental activity of management; that helps in attaining harmony in action among various interdependent activities and departments of the organization. On the contrary, cooperation depends on the will of any person, i.e. to work with or help someone voluntarily, for accomplishing common objectives.
3. Coordination is a contrived process, performed to integrate different activities of the organisation. Conversely, cooperation is a natural process, which is not planned in advance but occurs spontaneously, out of mutual respect.





4. Coordination is a continuous function of management. Hence, it is for the long term. As against this, the cooperation of persons is required for accomplishing a task or activity, thus, it is for short term only.
5. Coordination may result in the establishment of the formal and informal relationship. Unlike, cooperation give rise to the informal relationship between individuals.
6. In coordination, there is open communication between all the members of the organisation. As opposed, tacit communication takes place between individuals in cooperation.
7. Coordination of activities is performed at top level management, whereas cooperation is performed at each level.

**Importance of Co-ordination –**







## Decision Making :

Decision-making is a process of selection and the aim is to select the best alternative. This is a process of selecting a course of action from among the available alternatives in order to achieve a desired goal in a given situation. This process involves the functions of searching and evaluating alternative courses of action in order to select a best possible course of action. Decision making is a process but a decision is a particular stage of that process.

## Characteristics Of Decision Making:

|    |                                   |
|----|-----------------------------------|
| 1. | Intellectual and logical process. |
| 2. | Process in human mind             |
| 3. | Largely an intuitive process      |
| 4. | Purposeful                        |
| 5. | Solves problem                    |

|    |                         |
|----|-------------------------|
| 6. | Commitment              |
| 7. | Environmental influence |
| 8. | Pervasive activity      |
| 9. | Essence of management   |

## Importance of Decision-Making in Management



## The main principles of sound decision making:

1. Principle of problem ascertainment
2. Principle of reliable information
3. Principle of alternatives
4. Principle of limiting factor
5. Principle of efficiency and effectiveness
6. Principle of rationality
7. Principle of participation
8. Principle of flexibility
9. Principle of timing
10. Principle of integration of interests
11. Principle of communication
12. Principle of feedback



**13. Principle of economy.**

**Decision Making Process:**

Decision making is the process of making choices by identifying a decision, gathering information, and assessing alternative resolutions.

Using a step-by-step decision-making process can help you make more deliberate, thoughtful decisions by organizing relevant information and defining alternatives. This approach increases the chances that you will choose the most satisfying alternative possible.

**Step 1: Identify the decision**

You realize that you need to make a decision. Try to clearly define the nature of the decision you must make. This first step is very important.

**Step 2: Gather relevant information**

Collect some pertinent information before you make your decision: what information is needed, the best sources of information, and how to get it. This step involves both internal and external “work.” Some information is internal: you’ll seek it through a process of self-assessment. Other information is external: you’ll find it online, in books, from other people, and from other sources.

**Step 3: Identify the alternatives**

As you collect information, you will probably identify several possible paths of action, or alternatives. You can also use your imagination and additional information to construct new alternatives. In this step, you will list all possible and desirable alternatives.

**Step 4: Weigh the evidence**

Draw on your information and emotions to imagine what it would be like if you carried out each of the alternatives to the end. Evaluate whether the need identified in Step 1 would be met or resolved through the use of each alternative. As you go through this difficult internal process, you’ll begin to favor certain alternatives: those that seem to have a higher potential for reaching your goal. Finally, place the alternatives in a priority order, based upon your own value system.

**Step 5: Choose among alternatives**

Once you have weighed all the evidence, you are ready to select the alternative that seems to be best one for you. You may even choose a combination of alternatives. Your choice in Step 5 may very likely be the same or similar to the alternative you placed at the top of your list at the end of Step 4.

**Step 6: Take action**

You’re now ready to take some positive action by beginning to implement the alternative you chose in Step 5.

**Step 7: Review your decision & its consequences**

In this final step, consider the results of your decision and evaluate whether or not it has resolved the need you identified in Step 1. If the decision has not met the identified need, you may want to repeat certain steps of the process to make a new decision. For example, you might want to gather more detailed or somewhat different information or explore additional alternatives.

**Difficulties in Decision Making:**

1. Incomplete Information
2. Un-supporting Environment



3. Ambiguous problem
4. Non acceptance by Subordinates
5. Ineffective Communication
6. Quality of information
7. Incorrect timing

## **UNIT - V**

### **CONTROLLING**

#### **Introduction:**

Control is an essential function of management in every organization. The management process is incomplete and sometimes useless without the control function. The management process includes planning, organizing, staffing, leading, and controlling. Planning sets forth the objectives a manager intends to achieve. Organizing provides the structure of an organization by determining how and where the employees will be placed in the organisation and the responsibilities that they will need to fulfill to attain predefined objectives. Staffing involves the managerial function of placing the right person in the right job in the organization. Leading involves the managerial function of influencing, motivating and directing the human resources of the organization to achieve organizational goals. The control function is concerned with ensuring that the planning, organizing, staffing and leading functions result in the attainment of organizational objectives. In other words, control is a tool that helps organizations measure and compare their actual progress with their established plan.

The term 'control' has different meanings in different contexts. In the management context, 'control' refers to the evaluation of performance and the implementation of corrective actions to accomplish organizational objectives. Some people confuse 'control' with 'supervision.' Supervision is a part of control; it helps identify deviations from the established standards of performance.

The modern concept of control envisages a system that not only provides a historical record of what has happened to the business as a whole but also pinpoints the reasons why it has happened and provides data that enables the management to take corrective steps, if there is any deviation from the plan. It also enables managers to identify trends in costs, markets, and other aspects of the business, and acts as a guide for future action.

According to Robert J. Mockler. "Management control is a systematic effort to set performance standards with planning objectives, to design information feedback systems, to compare actual performance with these predetermined standards, to determine whether there are any deviations and to measure their significance, and to take any action required to assure that all corporate resources are being used in the most effective and efficient way possible in achieving corporate objectives."

#### **Characteristics of Control:**

- i. Managerial Function
- ii. Circular process
- iii. Forward looking
- iv. Necessary at all levels of management
- v. Action is the essence of control
- vi. Positive and constructive approach
- vii. Wide scope
- viii. Tool to achieve organizational goals
- ix. Not an interference
- x. Remedial activity



**Importance of Controlling:**

The control function is gaining importance in today's organizations due to a number of factors. These factors include the need for accountability in organizations, the need to detect environmental changes that significantly affect organizations, the growing complexity of present day organizations and the need to identify operational errors in organizations to avoid incurring excessive costs.

In addition to addressing the above mentioned factors, controlling plays an important role in helping managers detect irregularities, identify opportunities, handle complex situations, decentralize authority, minimize costs, and cope with uncertainty.

**1) Coping with Uncertainty:**

In today's turbulent business environment, all organizations must cope with change. When organization goals are established, they are based on the knowledge available at that point of time. However, by the time the goals are accomplished, many changes may have occurred in the organization or its environment. The pace at which environmental and other factors change creates a lot of uncertainty. A constant evaluation and revaluation of the organization's strategic and tactical plans is necessary to keep up with changes and cope with uncertainty. The environmental factors that bring about change in organizations include customer demand, technology, and the availability of raw materials. A properly designed control system can help managers anticipate, monitor and react quickly to changes in the environment. An improperly designed control system, however, may result in poor organizational performance.

**2) Detecting Irregularities:**

Control systems help managers detect undesirable irregularities, such as product defects, cost overruns, or rising personnel turnover. Although small mistakes and errors may not seriously damage the financial health of an organization, they may accumulate and become very serious over time. Early detection of such irregularities can prevent minor problems from mushrooming into major ones and often save a great deal of time and money for the organization.

**3) Identifying Opportunities:**

Control also helps managers identify areas in which things are going better than expected, thereby alerting management to possible future opportunities. For example, division managers at the St. Louis-based May Department stores prepare and generate monthly reports that specify the items that have high demand and the amount of money those items are generating. On the basis of these reports, the chain develops successful merchandising strategies for all its stores (e.g. what to buy, which vendor to buy from, and how to display the merchandise).

**4) Handling Complex Situations:**

Another important factor contributing to the need for a control mechanism is the growing complexity of today's organizations. When a company requires only one kind of raw material, produces only one kind of product, has a simple organization design, and enjoys constant demand for its products, it can afford to have a very basic and simple system of control. But, as organizations grow or engage in producing many products from a number of different raw materials, and operate in a large market area with many competitors, efficient and effective coordination becomes necessary. In such cases, managers have to keep track of various activities to make sure that they are well synchronized. Thus, sophisticated control systems become necessary to maintain adequate control in large and complex organizations.

**5) Decentralizing Authority:**

Controls also help managers decentralize authority. With the help of controls, managers can allow their subordinates to take decisions while ensuring that the ultimate authority remains in their hands. For example, Alfred Sloan, former chairman of General Motors, set the standard for the level of return on





investment that he wanted the various units of GM to achieve. This type of control allowed him to achieve the required level of investment while maintaining the philosophy of decentralization.

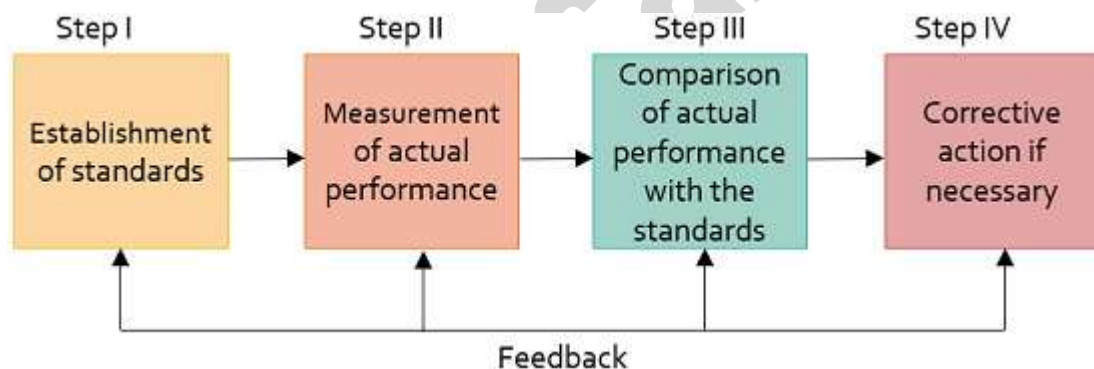
#### **6) Minimizing Costs:**

When implemented or practiced effectively, control also helps reduce the costs and boost the output of an organization. Georgia-Pacific Corporation, a large wood products company, developed a new technology for making thinner blades for its saws. The company used its control system to evaluate how much wood could be saved by the new blades, relative to the cost of replacing the old blades. It was found that the wood saved by the new blades each year was sufficient to fill eight hundred railcars. Thus, the organization discovered that effective control systems could improve output per unit of input, eliminate waste and lower labor costs.

#### **Control Process:**

Even though control systems need to be tailored to suit specific situations, they all involve the same basic process. When exercising the control function, a manager measures the performance of an individual, a plan, or a program against certain predetermined standards and takes corrective action if there are any deviations. The process involves the following steps:

- i. Determining areas to control
- ii. Establishing standards
- iii. Measuring performance
- iv. Comparing performance against standards
- v. Recognizing good or positive performance
- vi. Taking corrective action when necessary
- vii. Adjusting standards and measures when necessary



#### **1) Determining Areas to Control:**

It is quite expensive and virtually impossible to control each and every aspect of an organisation's activities. Moreover, employees resent having every move of theirs being controlled by their superiors or the management. Therefore, before initiating the control process, the manager must determine the major areas that need to be controlled. The organizational goals and objectives defined during the planning process must form the basis on which managers decide upon the areas in which to exercise control.

The areas selected for control should be of critical importance to the organisation. Exercising control over critical areas helps a manager manage a large number of subordinates effectively, reduce costs, and improve communication in the organisation.

#### **2) Establishing Standards:**

Standards constitute the foundation of the control process. They slate the criteria on the basis of which employee performance and related behavior can be evaluated. Thus, establishing standards is an essential part of the control process. Standards are often incorporated into goals when the goals are





established during the planning process. In such cases, the standards merely need to be reiterated. Sometimes, however, they need to be developed during the control process. Thus, standards are predetermined points in the control process at which performance is measured. The setting of standards and measuring organisational performance against these standards helps the manager know how things are progressing in the organisation and eliminates the need to watch every step in the execution of plans.

### **3) Measuring Performance:**

Once standards are established, the actual performance must be measured. A manager must decide how to measure the actual performance and how frequently it is necessary to do so. The measurement of performance against standards should be done on a forward-looking basis. Measuring performance on such a basis helps managers detect deviations in their early stages. They can, then, be countered by appropriate action. If performance standards are clearly established and means for exactly determining what subordinates are doing are available, evaluating the expected or actual performance becomes fairly easy. However, there are certain activities which are difficult to measure, and for which it is difficult to establish standards.

After selecting the means of measurement, a manager has to decide how frequently performance is to be measured. Managers may need control data on an annual, semiannual, quarterly, monthly, fortnightly, weekly, daily, hourly or even more frequent basis (as in the case of managers of air traffic control). Depending on how important the goal (or objective) is to the organization, the nature of the deviation from the standards, and the expenses that the organization will incur to correct the problem, the superior decides at what intervals performance should be measured.

### **4) Comparing Performance against Standards:**

In this stage, the performance measured in step 3 is compared with the standards established in step 2. Such a comparison enables managers to determine whether actual performance meets the standards established (predetermined or planned performance). Managers often perform the task of comparison on the basis of information provided in reports. These reports, which may be presented in an oral or written form or generated by a computer, summarize planned versus actual results.

Personal observation is another method for measuring the performance of subordinates against established standards. Management by walking around (MBWA) work area and observing conditions allows the manager to obtain unfiltered information about the work activities of the employees. This is also referred to as management by wandering around. For example, executives in Wal-Mart discount chains use the MBWA technique to manage the company's stores. They visit the stores, check the merchandise, and talk to their employees and customers. Though this technique helps managers provide useful insights, employees may interpret it as mistrust.

### **5) Recognizing Good or Positive Performance:**

Managers should not always be preoccupied with finding solutions to important problems; they should also find the time to recognize and acknowledge good or positive performance by subordinates when their performance meets or exceeds the established standards. Recognition may be in the form of an oral remark, such as "well done," for a routine achievement, or substantial rewards in the form of pay hikes, bonuses, or training opportunities for major achievements or consistent good work.

This approach of recognizing positive performance emphasises the importance of rewarding good performance in order to sustain it and encourage further improvement. This approach is thus consistent with motivation theories such as the expectancy theory (discussed in detail in Chapter 16).



**6) Taking Corrective Action when Necessary:**

When a significant discrepancy occurs between the actual output or performance and planned or predetermined performance standards, specific actions must be taken to correct the situation. Managers must first determine the cause of the deviation from the standard, then take the required action to remove or minimize the cause of deviation.

Sometimes, managers redraw their plans or modify their goals to correct deviations. They may also reassign or clarify the duties and responsibilities of subordinates. In order to rectify a problem, managers may have to train the subordinates, recruit additional staff, or remove inefficient subordinates. They may also tackle the problem by explaining the job in detail to subordinates, thereby helping them overcome their job-related problems.

Sometimes, the established standards may not be realistic. In such situations, managers may conclude that the standards are inappropriate and need to be modified. Changing conditions sometimes make standards that were set earlier seem inappropriate and unrealistic.

**7) Adjusting Standards and Measures when Necessary:**

Control is a dynamic process. In order to ensure that standards and their associated performance measures meet future needs, managers must periodically review standards. It is important for managers to conduct a periodic review of standards for the following reasons:

- (i) Changing conditions, such as the use of sophisticated machinery or improvement in the skill level of employees, make it possible to raise standards for future projects of the organization.
- (ii) Existing standards or measures may become obsolete or ineffective because of changed circumstances or because they were not properly defined.
- (iii) If the standards set have been exceeded, it may indicate unforeseen opportunities for the organization. It encourages the organization to further raise standards in order to effectively tap the potential of the employees to meet the new standards. It also increases the scope of the organization for making adjustments in the organizational plan.

**Techniques or Methods of Control :**

- 1) General methods
- 2) Special methods

**1) General Methods –**

- a) Personal observation
- b) Setting examples
- c) Records and Reports
- d) Policies and Procedures
- e) Charts and Manuals
- f) Standing Rules and Limitations
- g) Written instructions
- h) Rewards
- i) Budgets
- j) Break-even-analysis

**2) Special Methods-**

- a) Human Asset Accounting
- b) Standard Costing
- c) Cash flow Analysis
- d) Management Information System
- e) Programme Evaluation and Review Techniques (PERT)



f) Operations Research

**Problems and Limitations of Control:**

1. Quantification
2. Long-run results are unpredictable
3. No control on external factors
4. Difficulty in setting standards
5. Difficulty in fixing responsibility
6. Limits of corrective action
7. Time consuming

**STAFFING**

The staffing function of management refers to determination of man power requirements, arranging and producing it through recruitment and selection, maintaining it for a longer period of time, and developing it to the maximum.

In broader sense the staffing functions of management mainly consists of the following.

- To prepare man power planning and determining manpower requirements of the organization in terms of quantity of human force needed.
- To make all necessary arrangements for acquiring required human force through proper recruitment and selection.
- To maintain human force in the organization for a longer period of time by formulating and implementing effective labour policies.
- To develop the man power to its maximum by providing scientific training and conducting various development programmes both for non managerial as well as managerial employees.



**Importance of Staffing:**

1. Staffing functions fill up the gap between organizational design and human assets and makes structure of organization functional and operating. It is done by procuring required quantity and quality of human force.

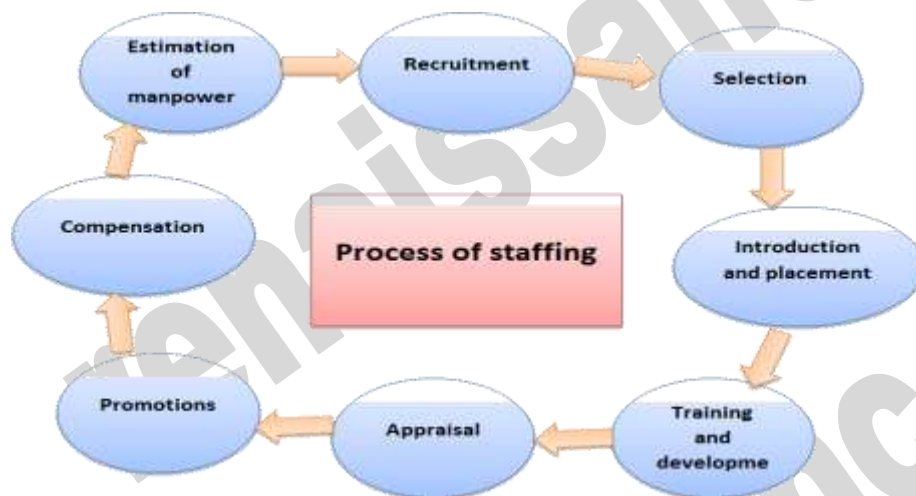


2. All the physical resources are to be utilized through human resource, therefore, an efficient utilization of these resources to the large extent depends on skill, capabilities and attitude of human inputs.
3. Staffing process and policies play consideration role with regard to development of executives and non executive employees.
4. In addition attitude, orientation, moral motivation and performance of the employees in organization depends on how effectively staffing functions have been handled and how much attention has been given to it by top executive.
5. Effective performance of staffing functions helps in matching the expenditure incurred in maintaining human resource and the benefit derived out of it.

**Elements of Staffing Process:**

The following elements are involved staffing process

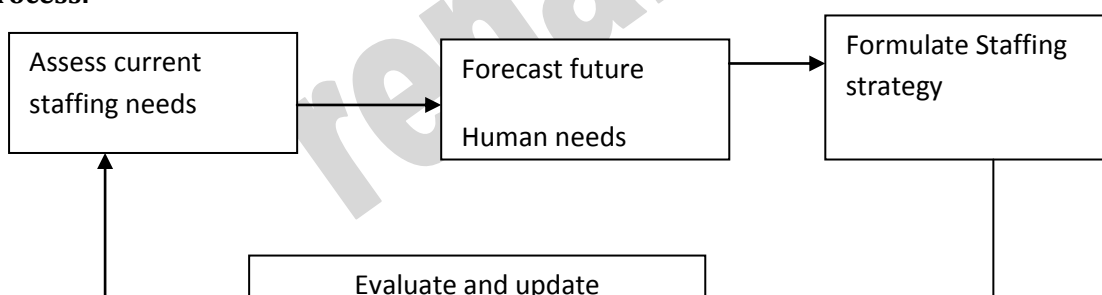
1. Manpower or human resource planning.
2. Job analysis
3. Recruitment
4. Selection
5. Placement and orientation
6. Training and development
7. Performance appraisal
8. Promotion and transfer of the employees.



**I. Manpower or HR :**

The process of getting the right number of qualified people into the right job at the right time.

**Process:**







**Objectives of Manpower Planning:**

- (i) Ensure optimum utilization of human resources currently employed in the organization.
- (ii) Reduce imbalance in the distribution and allocation of manpower.
- (iii) Provide control measures to ensure availability of necessary resources when required.
- (iv) Control cost of human resources employed, used and maintained in the organization.
- (v) Optimise contribution and satisfaction of the personnel's with reasonable expenditure.

**Significance of Manpower Planning:**

- (i) It is important for determining human resource requirements of organization.
- (ii) It enable organization to cope with changing environment by formulating and conducting necessary training and development programmes for the employees.
- (iii) It helps in effective selection and development of the employees.
- (iv) It ensures acquisition of personnel with required skill, knowledge, experience and aptitude etc.
- (v) It also facilitates effective and economical use of manpower in organization.

**II. Job Analysis:**

Job analysis is, 'Systematic process of collecting data & making certain judgment about a job. It is collecting all important information related to the nature of specific job'. Job analysis is a formal and detailed examination of jobs. It is a process of gathering information about a job. It tries to 'reduce to words the things that people do in human work'.

The process of job analysis consists of two sub processes, namely job description and job specification. Job Description is a factual statement and summary of the job contents in terms of duties, equipment to be used, working conditions, amount of supervision needed, relationship with other jobs and personnel requirements of the job. Job specification states minimum qualification required on the part of personnel to perform the job in satisfactory manner such as educational qualifications, job related experiences, knowledge, skill and capabilities needed for performing the job.

**III. Recruitment:**

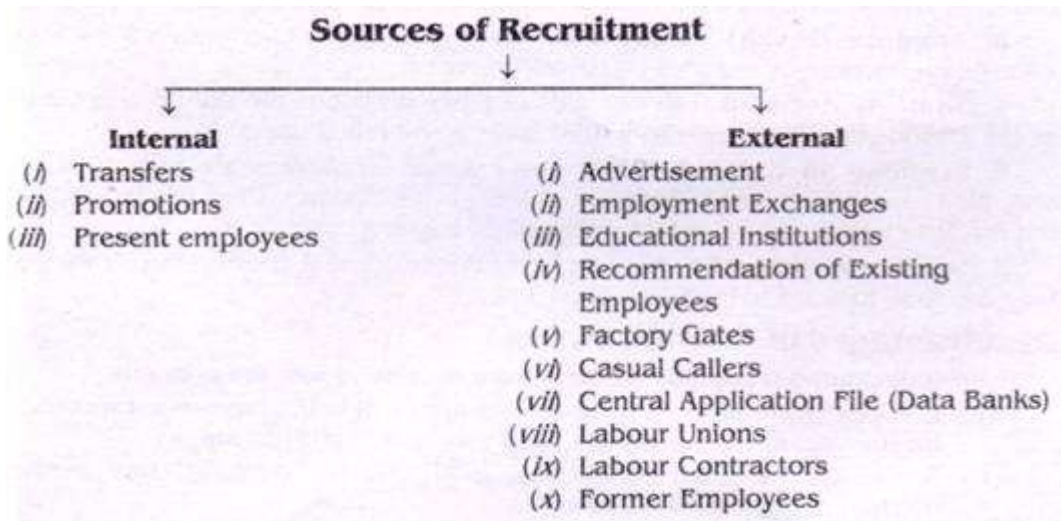
Recruitment is a process of identifying sources of human force and attracting and motivating them to apply for the jobs in the organization. The process of recruitment consists of following elements.

1. To determine vacancies
2. To identify source (Internal/External)
3. Attracting and motivating the prospective employees or candidates to apply for job vacancies in organization.
4. To ensure that sufficient number of applications have been received from the candidates for consideration and selection.

**Sources of recruitment –**

- 1) Internal
- 2) External

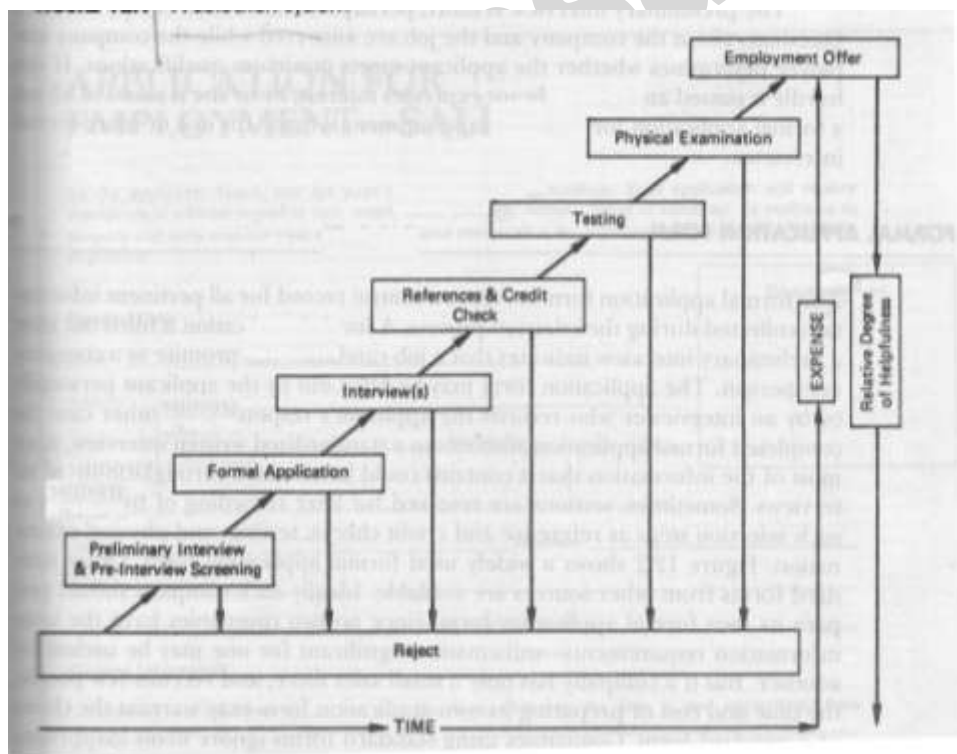




#### IV. Selection:

Selection is the process of picking individuals who have relevant qualifications to fill jobs in an organization.

Selection is the process by which candidates for employment are distinguished between those who are suitable and those who are not suitable. Selection procedure is marked by the following common features which are known as stages of elements of it. These are as under



**Preinterview screening and preliminary interview:**



Preinterview screening is for the purpose of eliminating obviously unqualified applicants, thus saving the time of interviewers and applicants. The preliminary interview can be handled by a low-paid clerk or secretary, so this is generally the lowest-cost selection step.

**Formal application form:**

The formal application form serves as a central record for all pertinent information collected during the selection process. A formal application is filled out after a preliminary interview indicates that a job candidate has promise as a company salesperson. The application form may be filled out by the applicant personally or by an interviewer who records the applicant's responses.

**Interview :**

The interview is the most widely used selection step and in some companies it comprises the entire selection system. This method is quite satisfactory in judging an individual as to ability in oral communication, personal appearance and manners, attitude toward selling and life in general, reaction to obstacles presented face to face, and personal impact upon others.

**References:**

References provide information on the applicant not available from other sources.

Applicants tend to name as references those on whom they can rely to speak in their favor. In addition, there is a tendency for references to be based in favor of an applicant. These tendencies are partially offset by contacting persons not listed as references but who know the applicant. These people often are excellent sources for candid appraisals

**Credit checks:**

Many companies run credit checks on applicants for sales positions. When a heavy burden of personal debt is found, it may indicate financial worries interfering with productivity, or a motivating factor serving to spur productivity-to determine which requires further investigation.

**Test:**

- Psychological tests
- Knowledge test
- Ability test
- Aptitude test
- Simulation test.

**Physical/medical examinations:**

Since good health is important to a salesperson's success, most companies require physical examinations. If physical condition is critical to job performance-such as the ability to carry a sales portfolio weighing 20 kilos-a physical examination is positioned early in the selection system.

**Employment offer:**

The potential candidate is selected and offered employment in the organization.

**Conclusion:**

Appropriate selection procedures, and their skillful execution, result in greater selling efficiency. A higher-grade salesperson is produced, and the advantages of having such employees make impressive list-better work quality improved market coverage, superior customer relations, and a lower ratio of selling expenses to sales. Good selection fits the right person to the right job, thereby increasing job satisfaction and reducing the cost of personnel turnover. Training costs are reduced, either because those hired are more capable of absorbing training or because they require less training.

**V. Placement and Orientation:**



**Placement** may be defined as a process of determining the job to which successful candidate has been appointed and to place him on that job or assignment.

After having made proper placement, the employees need induction or orientation training. Basically **orientation** is a process of introducing new employees to the organization regarding his job as well as organization. This involves –

- (i) History of the organization, product lines, goals and processes and major operations to be performed.
- (ii) Organization structure and functions of various departments.
- (iii) Organizational plans, policies, procedures and rules made to guide his decisions and actions.
- (iv) Working environment, relationship with superior and subordinate, standard of performance, facilities granted and provisions of discipline.
- (v) Avenues provided for promotion, training and development, suggestion scheme, grievance redressal methods and safety measures provided in organization.

#### **VI. Training and Development:**

Training and development of the employees, both managerial and non managerial is the most important aspect of staffing function. Training may be considered as key input for developing manpower in organization so as to improve their job performance. Training is a learning experience in that it seeks a relatively permanent change in an individual that will improve his or her ability to perform on the job. Training is the act of increasing the knowledge and skills of an employee for doing a particular job.

#### **Development:**

In contrast, is considered to be more general than training and more oriented to individual needs in addition to organizational needs and it is most often aimed toward executives. Development includes all activities that prepare an employee for future responsibilities.

#### **Why to Impart Training?**

The training programme conducted by the organization may be for the achievement of the following objectives.

1. To provide all necessary information to the newly appointed employees as to help him getting adjusted at the earliest and to enable him to perform assigned job efficiently.
2. To lower the turnover and absenteeism and to increase job satisfaction.
3. To prepare employees for taking up higher jobs with more challenges and responsibilities.
4. To prepare the personnel for promotion in organization.
5. To help them in reducing gap, between existing level of performance and desired level.
6. To improve quality of goods and services being produced.
7. To help them in reducing cost of waste, spoilage and equipment maintenance.
8. To develop potential abilities of the employees.

#### **Importance of Training:**

1. Improve performance of employee
2. Boost employees morale
3. Reduce cost of operations
4. Reduce supervision cost
5. Establish relationship among man his job and work environment.
6. Promotion of employees
7. Fulfill manpower requirement of organization
8. Improves social behaviour
9. upgrade existing knowledge of personnel.

#### **Methods of Training:**



1. Vestibule training
2. On the job training
3. Off the job training

- **Vestibule Training:** Under this method the employees learn their job on the equipment that they will be using in real work setting but training is conducted away from place work.
- **On the job training:** Under this method the employee gets training on the job, i.e., at his work place itself. Some of the major techniques of the job method of training are listed as under:-

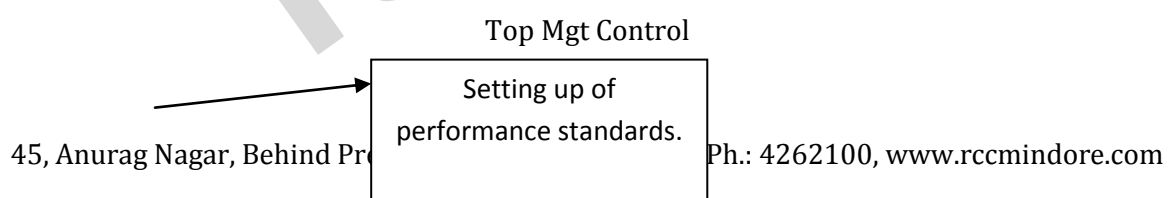
- (a) Coaching: In coaching, superior teaches job knowledge and skill to the subordinates emphasizing on learning by doing.
- (b) Under study: Under this method superior imparts training to subordinate at his under study.
- (c) Job rotation: This technique of on the job training is adopted for broadening work experience of the trainees in various related positions because he is to work on different jobs by rotation.
- (d) Assistant to position: In this method, junior personnel is made assistant to senior personnel as to work under his command and guidance.
- (e) Temporary promotion: In this method junior executives or non managerial employees may be given promotion on purely temporary basis.
- (f) Membership in committees: The committees may be considered as a proper training ground for the employees.
- (g) Delegation of authority: Delegation of authority to all levels of managers also serves as an important tool for making them trained regarding the job assigned to them because they are given enough formal rights for solving problems, making decisions and using resources for performing job and when they face problem of serious nature they take it up with their superior, make interaction with him and seek his guidance and help to solve it. In this way they learn more about the job.

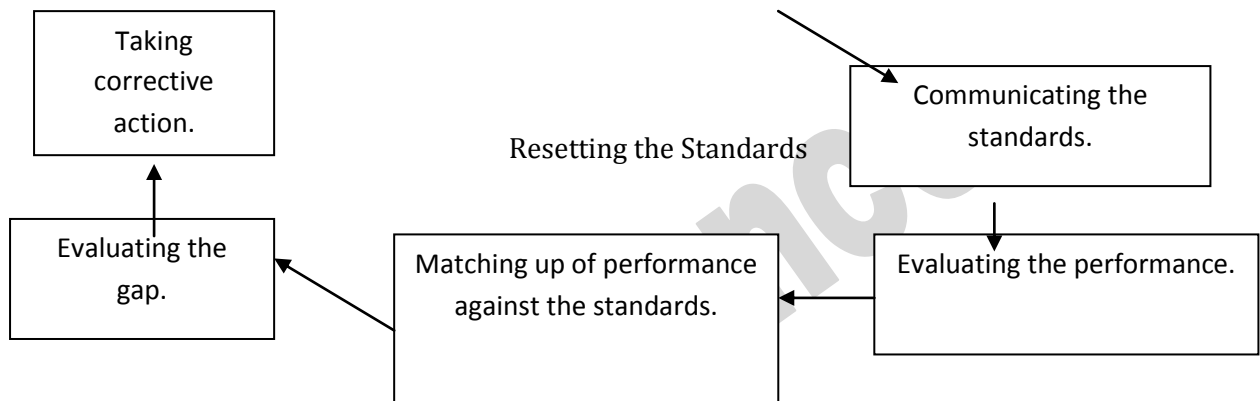
- **Off the job methods:** Off the job training methods remove personnel from the stress and ongoing demand of work place and enabling them to focus fully on learning new experience some of them are :

- (a) Lecture
- (b) Conferences
- (c) Case method
- (d) Simulation: This technique seeks to duplicate the real life work setting in which he has to work.
- (e) Sensitivity training: The main purpose of providing sensitivity training is to develop capabilities and improve behavioural pattern of the employee specially with regard to views, feelings, actions of other.

## **VII. Performance Appraisal:**

The performance appraisal can be defined as a systematic evaluation or rating of the individual employee periodically by his superior with regard to personal characteristics related to the job, working behaviour pattern, the contents and quality of his contribution and his potential for the development of his career.





Performance Appraisal Model

#### **VIII. Promotions and Transfer:**

The promotions are the most significant way of recognizing efficient performance of the job. Since the promotion involves vertical movement of the employee with more authority and responsibility. Promotion is an upward movement of employee in the organization to another job, higher in organization's hierarchy. The term transfer implies shifting of the employee from one job position to another related position, of course, with a same status and pay-scale.