



# SYLLABUS

## BBA I YEAR

### Subject – Business Organization and Management

UNIT – I	<b>Business organization</b> <b>Business organization &amp; its Forms</b> Business: Concept, Meaning, Features, Stages of development of Business, importance of business; Classification of Business activities; <b>Business Organization:</b> Meaning, characteristics, objectives, Evolution of Business Organization; Difference between Industry and Commerce and Business and Profession, Modern Business and its Characteristics Forms of Business: -Sole Trader, Partnership, HUF, Limited Liability Partnership, joint stock Company, one person Company, Micro, Small and Medium Enterprises, Business, Organization, <b>Business Organization, Forms of Business Ownership/ Formats, Micro, Small &amp; Medium Enterprises.</b>
UNIT – II	<b>Plant Location, Layout and Size</b> Plant Location: Concept, Importance, Factors affecting Plant location, Plant Layout: Concept, Objectives, Types and Principles of layout, factors affecting layout, Size of business Unit: Criteria for measuring the size of unit, Factors affecting size, Optimum Unit Size and factors affecting Optimum Size
UNIT – III	<b>Business Combination:</b> Meaning, Characteristics, Objectives, Causes, Forms and Kinds of Business Combination, Rationalization: Meaning, Characteristics, Objectives, Principles, Merits & Demerits; Difference between Rationalization & Nationalization
UNIT – IV	<b>Management</b> <b>Management :</b> Concept of Management, nature and importance & Functions of Management, Taylor's Scientific Management, Henri Fayol's Principles of Management, <b>Planning:</b> Concept, Importance, Process, Types of Plans Decision making: Process, Individual vs. Group Decision Making <b>Organizing:</b> Concept & Principles of Organizing; Formal / Informal Organizations, Virtual Organizations, Organization Structure: Factors affecting Organization structure, Features of Good Organization Structure, Span of Management, Delegation of Authority, Centralization and Decentralization; Line and staff Authority <b>Staffing:</b> Nature & Scope of Staffing, Man Power Planning - Concept and importance, Recruitment: Concept and Sources, e-recruitment, Selection: Concept, Important Tests and Types of Interview. Performance Appraisal: Objectives & Modern Methods
UNIT – V	Directing: Concept and importance of Directing, Communication: Concept and Importance, Channels of Communication, Formal/ Informal Communication, Barriers <b>Motivation:</b> Concept, Intrinsic & Extrinsic Motivation, Theories of Motivation: Maslow's need theory Hierarchy, Herzberg's two factor theory, McGregor's Theory X and Y <b>Leadership:</b> Concept, Styles, Leadership Theories Trait theory, Behavioural theory, Contingency/Situational theory Conflicts: Meaning & Types of Conflict <b>Control:</b> Concept, Nature, Importance, Process and Methods Controlling,



## Business –

**Business** is the activity of making one's living or making money by producing or buying and selling products (such as goods and services) Simply put, it is "any activity or enterprise entered into for profit.

Having a business name does not separate the business entity from the owner, which means that the owner of the business is responsible and liable for debts incurred by the business. If the business acquires debts, the creditors can go after the owner's personal possessions. A business structure does not allow for corporate tax rates. The proprietor is personally taxed on all income from the business.

The etymology of "business" relates to the state of being busy either as an individual or society as a whole, doing commercially viable and profitable work. It is a generic term which comprises of all primary and ancillary activities which are involved in the production and distribution of goods and services. It is a relative term, which has different interpretations for different categories of people. For an economist, it is an activity concerned with the creation of form utility, place utility and time utility. For an ambitious youth, it is an attractive career for accepting new challenges and earning attractive income through profit. For an average consumer, it is a supplier of goods and services required in his daily life. For government, it is one of the important sources of revenue. An environmentalist views it as a potential source of pollution and ecological imbalance. In brief, business is a sum total of activities concerned with production and distribution of goods and services for satisfying the needs of society and also for raising social welfare.

According to F. C. Hooper, business includes the whole complex field of commerce and Industry. Accordingly, business activities can be broadly categorised into the following four categories:

**(a) Activities related to the Production of Goods:** This group includes different kinds of industries such as genetic industries, extractive industries, manufacturing industries, constructive industries and service industries. **(b) Activities related to the Distribution of Goods:** This group comprises of physical distribution system that includes transportation, storage and warehousing and marketing intermediaries like wholesalers and retailers.

**(c) Activities related to the Provision of Services:** This group includes various service providers such as insurance companies, advertising agencies, marketing research organisations and consultants.

**(d) Activities related to the Provision of Finance:** This group includes various financial intermediaries such as banks, financial institutions, industrial financial institutions, state financial corporations and stock exchanges.

### 1.7 Characteristics of Business:

The broad characteristics of business are as under:

**(a) Transfer of Ownership:** Exchange is the essence of any business activity. Business facilitates transfer of ownership of goods from producers to consumers for money or money's worth. Business houses provide satisfaction to consumers through the provision of form utility, place utility and time utility under the incentive of private profit.

**(b) Scope of Activities** Business includes trade and aids to trade. Trade is that branch of commerce, which is concerned, with the exchange of goods and services while aids-to-trade are service-oriented



industries, which directly or indirectly help in smooth conduct of business operations. For example, transportation, warehousing, Insurance, advertising and banking.

**(c) Profit Motive:** Profit is essential for the very survival of business units. The varieties of goals of business units such as survival, growth, expansion, social welfare, welfare of workers, etc., cannot be achieved unless the unit is economically viable. A loss making unit is least capable of fetching any asset to the society and therefore, would be closed down by the society itself.

**(d) Continuous and Recurring:** The activities of a business enterprise are recurring in nature. One or two transactions do not constitute business. A seller must have adequate stock of goods or capacity to serve society as per demand. For example, if a person sells his old motor car and earns some profit thereon, it does not constitute a business.

**(e) Economic Institution:** Business is an economic institution. All business activities are guided by a desire to earn profit. Business houses undertake market research in order to forecast market demand and accordingly adjust supply with the prime objective of generating profit and wealth. In this sense, a business unit is an economic institution.

**(1) Social Institution:** Due to rapidly changing socio-economic environment, the concept of social responsibilities of business has gained immense importance. Business cannot ignore social needs as it is a part of society in the sense that it carried on by the people (entrepreneurs), through the people (executives and workers) and for the people (consumers and the society at large).

**(g) Ethical and Lawful:** The purpose of business must be ethical and should be recognised by law. It should not violate the basic norms or fundamental principles, governing the social life of people in the country. For example, smuggling is unlawful and therefore, cannot be considered as a business. Similarly, selling beef or beef based products is ethically prohibited in India.

**(h) Risk and Uncertainty:** Business involves high degree of risks and uncertainties. Profit is the reward for bearing risks and uncertainties. Risks due to fire, theft, pilferage, etc., are insurable risks. However, uncertainties such as fluctuations in price level, changes in fashion, changes in government policy or the government itself, etc. cannot be insured.

**(i) Creative and Dynamic:** Business houses are surrounded by a large number of complex exogenous factors such as social, economic, technological, regulatory and environmental. These factors keep on changing and business units have to adjust accordingly. Hence, business units are expected to be creative and dynamic in order to adapt the changing business environment.

**(ii) Global Business:** Globalisation has become a subject of very serious discussion in the national economic policies and corporate sector. Globalisation implies greater integration of the nation's economy with the world economy. This can be achieved through liberalisation of rules and regulations and creating favourable business environment for global business.

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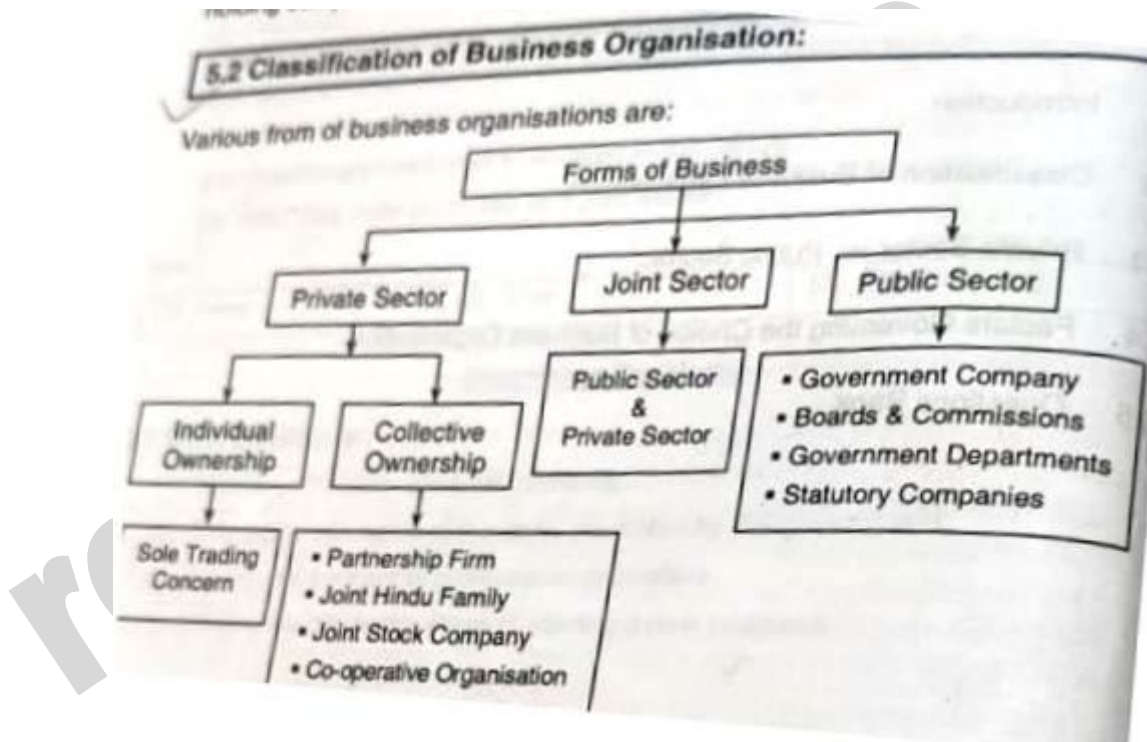
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economy with the world economy. This can be achieved through liberalisation of rules and regulations and creating favourable business environment for global business.



**(a) Private Sector:** Private sector enterprises are owned and managed by the individuals or group of individuals. On the basis of ownership and management, private sector organisations are classified as under:

- **Sole Trading Concern:** A sole trading concern is one of the oldest and simplest of all the forms of business enterprises. A business unit which is owned and controlled by a single individual is known as a sole trading concern. The person who manages it is called a sole trader. A sole trader may use his own savings for carrying on the business or he may borrow money from his friends, relatives and others for investing in business. He himself manages the business with the assistance of his relatives or employees. He alone enjoys all profits and bears all losses in the business. It is also known as sole proprietorship business or single entrepreneurship or individual proprietorship.
- **Partnership Firm:** Sole trading concern with its limitations of finance, management, risk, etc., finds it difficult, in the long-run, to cope with the expansion of business. It, thus, became necessary to find some alternative form of business. A partnership form of business organisation provided such alternative. In partnership form of organisation, two or more than two persons come together to conduct some kind of business activity jointly and collectively. The persons who are the owners of a partnership firm are individually called 'Partners' and collectively called a 'Firm'. The name under which the partnership is formed is called a 'Firm name'.
- **Joint Hindu Family Business:** Joint Hindu family business is a unique kind of business organisation, possible only in India, among Hindu families only. It comes into existence due to the operation of the Hindu Law. According to this law, after the death of a Hindu, his business comes to



be jointly owned by three successive generations, viz., son, grand son and great grand son. This interest in inheritance is called co-parcenary interest and the members of the Joint Hindu Family are called co parceners. Only the eldest member in the family is allowed to conduct, manage, and control the business. He is called 'Karta' or 'Manager'.

- **Joint Stock Company:** A Joint Stock Company, as a distinct form of business organisation, developed soon after the Industrial Revolution in the eighteenth century in England. A joint stock company is established by law and can be dissolved only by law. It is an incorporated association which is an artificial person created by law, having a separate name, a common seal, a separate legal entity and perpetual succession. The liability of its members is 'limited'. The company has a very large capital which is divided into smaller parts called 'shares'. The persons who subscribe the shares are called 'shareholders' and they are the owners of the company.
- **Co-operative Organisations:** The co-operative movement started first in Europe with an objective of bringing needy people together to achieve a
- **(b) Public Sector:** Public sector organisations are owned and controlled by the government. If a need arises, the government may invite the public to subscribe for its shares and debentures. Public sector undertakings are classified as under:
  - Government Companies:** In the government companies, 51% or more of the share capital is controlled by either the Central Government or the
    - State Government. Some such companies are Hindustan Machine Tools
    - (HMT), Bharat Petroleum, Hindustan Aeronautics (HAL), Nationalised
    - Banks, Life Insurance Corporation and Air India.
  - **Boards and Commissions:** Boards and commissions are formed by the government for specific purposes. These organisations function independently, within the framework of the laws framed by the government. Some examples of such organisations are Railway Boards, Bombay Suburban Electricity Board (BSES) and Khadi Gramodyog Commission.
  - **Government Departments:** Government departments are created by the government for smooth functioning of the administration. They are bodies and function as per the rules and regulations laid down by the Government. Some such departments are Income-tax Department, Revenue Department, and Education Department.
  - **Statutory Companies:** Statutory companies are formed by a Special Act of the Parliament. Such companies are significant from the nation's point of view. They are required for all round development of the nation. Some such companies are State Bank of India, Reserve Bank of India and Bhabha Atomic Research Centre.
- **(c) Joint Sector:** Joint sector is a form of business organisation wherein public and private sectors co-exist. A joint sector enterprise is jointly owned and managed by the group of individuals and the government department. Joint sector may be registered companies or large scale partnership organisations, like Haldia Chemicals.

### Organization –

An organization is a group of people intentionally organized to accomplish an overall, common goal or set of goals. **Business organization**, an entity formed for the purpose of carrying on commercial



enterprise. Such an organization is predicated on systems of law governing contract and exchange, property rights, and incorporation.

### **Business Organization –**

Business organization is concerned with the study of the methods and procedures of establishing and operating business enterprises with the purpose of earning profits by rendering service to the society. The scope is very wide. It comprises business ownership, the types of traders engaged in the supply of goods and services, the institutions which facilitate trade, the financial arrangements used to conduct business, the problems of location and layout of the undertaking, the principles of management, forms of combinations, methods of wage payment, etc.

### **Objectives of Business Organization**

- 1) Unity of objectives
- 2) Efficiency
- 3) Division of work
- 4) Span of control
- 5) Scalar principle
- 6) Delegation
- 7) Functional definition
- 8) Absoluteness of responsibility

### **Functions of Business Organization –**

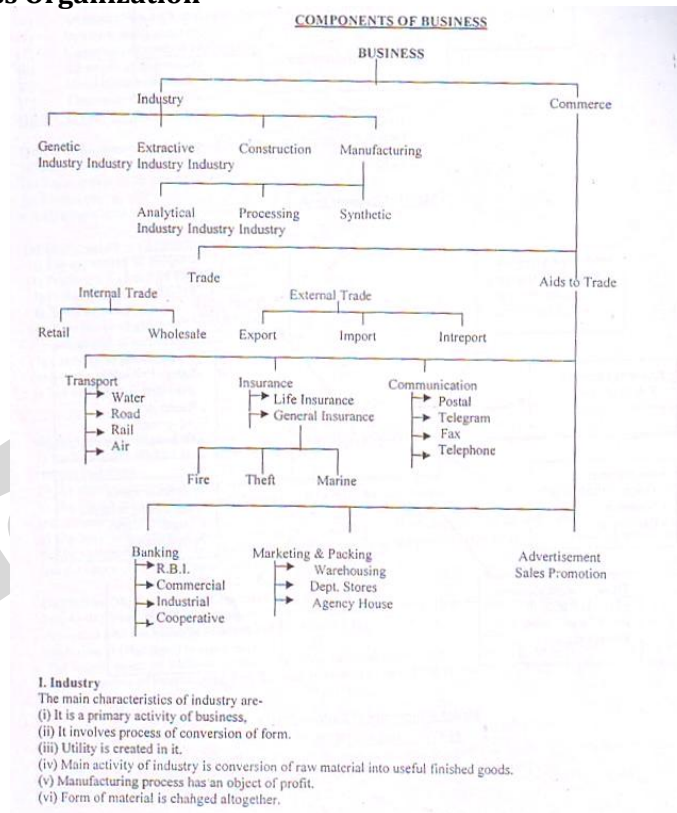
- 1) Production function
- 2) Marketing function
- 3) Finance function
- 4) Personnel function
- 5) Other functions

### **Significance of Business Organization –**

- 1) Facilitates administration
- 2) Ensures specialization
- 3) Facilitates growth and diversification
- 4) Encourages creativity
- 5) Optimum use of technological improvements
- 6) Facilitates coordination
- 7) Rapid economic development



## Components of Business Organization –



## Characteristics of Organization –

- 1) Division of labour
- 2) Coordination
- 3) Accomplishment of common objectives
- 4) Authority responsibility structure
- 5) Communication





**UNIT – II**

**Plant Layout**

**Concept of Plant Layout:**

**The concept of plant layout may be described as follows:**

Plant layout is a plan for effective utilisation of facilities for the manufacture of products; involving a most efficient and economical arrangement of machines, materials, personnel, storage space and all supporting services, within available floor space.

**More defines plant layout as follows:**

“Plant layout is a plan of optimum arrangement of facilities including personnel, equipment’s, storage space, material handling equipment and all other supporting services along with the decision of best structure to contain all these facilities.”

**Points of comment:**

**Certain useful observations on the concept of plant layout are as follows:**

- (i) Plant layout is very complex in nature; because it involves concepts relating to such fields as engineering, architecture, economics and business management.
- (ii) Most of managers now realize that after the site for plant location is selected; it is better to develop the layout and build the building around it – rather than to construct the building first and then try to fit the layout into it.

**Objectives/Advantages of Plant Layout:**

**Following are the objectives/advantages of plant layout:**

- (i) Streamline flow of materials through the plant
- (ii) Minimise material handling
- (iii) Facilitate manufacturing progress by maintaining balance in the processes
- (iv) Maintain flexibility of arrangements and of operation
- (v) Maintaining high turnover of in-process inventory
- (vi) Effective utilisation of men, equipment and space
- (vii) Increase employee morale
- (viii) Minimise interference (i.e. interruption) from machines
- (ix) Reduce hazards affecting employees
- (x) Hold down investment (i.e. keep investment at a lower level) in equipment.

**Principles of Plant Layout:**

**While designing the plant layout, the following principles must be kept in view:**

**(i) Principle of Minimum Movement:**

Materials and labour should be moved over minimum distances; saving cost and time of transportation and material handling.

**(ii) Principle of Space Utilization:**

All available cubic space should be effectively utilized – both horizontally and vertically.

**(iii) Principle of Flexibility:**

Layout should be flexible enough to be adaptable to changes required by expansion or technological development.

**(iv) Principle of Interdependence:**

Interdependent operations and processes should be located in close proximity to each other; to minimize product travel.



**(v) Principle of Overall Integration:**

All the plant facilities and services should be fully integrated into a single operating unit; to minimize cost of production.

**(vi) Principle of Safety:**

There should be in-built provision in the design of layout, to provide for comfort and safety of workers.

**(vii) Principle of Smooth Flow:**

The layout should be so designed as to reduce work bottlenecks and facilitate uninterrupted flow of work throughout the plant.

**(viii) Principle of Economy:**

The layout should aim at effecting economy in terms of investment in fixed assets.

**(ix) Principle of Supervision:**

A good layout should facilitate effective supervision over workers.

**(x) Principle of Satisfaction:**

A good layout should boost up employee morale, by providing them with maximum work satisfaction.

**Types of Plant Layout:**

Two basic plans of the arrangement of manufacturing facilities are – product layout and process layout. The only other alternative is a combination of product and process layouts, in the same plant.

### Plant Location

#### Plant Location

Every business is facing the issue of selecting the suitable location for their factory plant. Units concerning both manufacturing as well as the assembling of the products are on a very large scale affected by the decisions involving the location of the plant. Location of the plant itself becomes a very important factor concerning service facilities, as the plant location decisions are strategic and long-term in nature. **Plant location** refers to the choice of region and the selection of a particular site for setting up a business or factory.

An ideal location is on where the cost of the product is kept to minimum, with a large market share, the least risk and the maximum social gain. It is the place of maximum net advantage or which gives lowest unit cost of production and distribution. For achieving this objective, small-scale business can make use of location analysis for this purpose.

**Factors Affecting Plant Location**

This article throws light upon the ten important factors affecting plant location. The factors are:

1. Selection of Region
2. Township Selection
3. Question of Urban and Rural Areas
4. Location of a Factory in a Big City
5. Location of an Industry in Small Town
6. The Sub-Urban Location for a Factory
7. Site Selection
8. Current Trends in Plant Location
9. Appropriate Site Selection
10. The Design of Factory Plant Building.

Factor # 1. Selection of Region:



The selection of a region or area in which plant is to be installed requires the consideration of the following:

**(i) Availability of Raw Materials:**

Proximity of sources of raw materials is the obvious explanation of the location of majority of sugar mills in Uttar Pradesh. This means that the raw material should be available within the economical distance. Easy availability of supplies required for maintenance and operation of the plant should also be considered.

**(ii) Proximity to Markets:**

Cost of distribution is an important item in the overhead expenses. So it will be advantageous to be near to the centre of demand for finished products. Importance of this is fully realized if the material required for the manufacturing of products are not bulk and freight charges are small.

Consumer industries like cycles, sewing machines, radio, televisions and other luxury goods etc. are set up near the marketing centres whereas producer industries like steel mills are located near the vicinity of raw materials.

For this purpose market analysis should be carried out keeping in view the following points:

- (a) Market trend and competition regarding product to be manufactured.
- (b) Industrial market.
- (c) Consumer habits and income.
- (d) Population.
- (e) Scope of export to neighbouring countries.

**(iii) Transport Facilities:**

Since freight charges of raw materials and finished goods enter into the cost of production, therefore transportation facilities are becoming the governing factor in economic location of the plant.

Depending upon the volume of the raw materials and finished products, a suitable method of transportation like rail, road, water transportation (through river, canals or sea) and air transport is selected and accordingly plant location is decided. Important consideration should be that the cost of transportation should remain fairly small in comparison to the total cost of production.

**(iv) Availability of Power Fuel or Gas:**

Because of the widespread use of electrical power the availability of fuel or gas has not remained a deciding factor in most of the cases for plant location. The location of thermal power plants (like Bokaro Thermal Plant) and steel plants near coal fields are for cutting down cost of the fuel transportation. The reliability of continuous supply of these facilities is an important factor.

**(v) Water Supply:**

Water is required for processing as in chemical, sugar and paper industries and is also used for drinking and sanitary purposes. Investigation for quality and probable source of supply is important. Since the cost of treating water is substantial so the chemical properties like hardness, alkalinity, acidity, presence of dissolved gases and organic material etc. should be thoroughly investigated.

In case of water supply from an external source such as municipality, dependability of the source, pumping and storage capacity for present and future demands should be found out.

**(vi) Disposal Facility for Waste Products:**

Thorough study should be made regarding disposal of water like effluents, solids, chemicals and other waste products likely to be produced during the production process.

**(vii) Climatic and Atmospheric Conditions:**

The climate of the region/area where the plant is to be located has an important bearing on both the capital and operational costs.



Normally following aspects are considered:

- (a) Rain fall or snow fall in the area concerned.
- (b) Ambient temperatures.
- (c) Humidity.
- (d) Wind velocities and direction.
- (e) Incidence of cyclones, storms etc.

**(viii) Availability of Labour:**

Potential supply of requisite type of labour governs plant location to a major extent. Some industries need highly skilled labour while others need unskilled and intelligent labour. But the former type is difficult in rural areas in comparison with industrially developed locations.

**(ix) Momentum of an Established Industry:**

Already established industry in a certain area will produce skilled labour in that trade. Thus future industries in that area will have no difficulty with respect to the skilled labour e.g., Ludhiana is famous for cycle industries and Faridabad for engineering industries.

**(x) Preference of Outstanding Businessmen and Government Subsidies:**

Some of the factory locations do not consider the above factors but locate industries in a particular district or area just to develop that area. It may be due to State Government policies regarding workers, pollution and smoke control requirements, waste disposal rules for industries etc.

**Factor # 2. Township Selection:**

The factors to be considered regarding township selection are:

- (i) Availability of man power of requisite skill.
- (ii) Competitive wage rates of workers.
- (iii) Other enterprises which are complementary or supplementary regarding raw materials, other input, labour and skills required.
- (iv) Moderate taxes and the absence of restricting laws.
- (v) A favourable cooperative and friendly attitude towards the industry.
- (vi) Favourable living conditions and standards keeping in view the availability of medical and educational facilities, housing, fire service, recreational facilities, cost of living etc.

**Factor # 3. Question of Urban and Rural Area:**

Question of urban and rural area should also be decided in view of the following:

**(i) Advantages of Rural Area:**

- (i) The initial cost of land, erection cost of building and plant is less in rural area as compared to urban or city area.
- (ii) Acquisition for additional area for extension work expansion of plant is possible without much difficulty whereas urban area being congested, the additional land is not easily available.
- (iii) Rural areas are free from labour troubles which are most common in towns and cities.
- (iv) Over crowding of working class population in cities is avoided.

**(ii) Advantages of Urban Area:**

- (i) Better modes of transportation for collection and distribution of materials and finished products.
- (ii) Availability of requisite type of labour for special and specific jobs is there.
- (iii) Utilities like water, power, fuels etc. are easily available.
- (iv) Industries do not need to construct colonies to provide residential facilities to their workers since houses are available on rental basis whereas in rural areas houses have to be build for workers.



**Factor # 4. Location of a Factory in a Big City:**

Generally factories are located in big cities for obvious reasons of skilled labour, close market proximity for both raw materials and end products.

Its advantages and disadvantages are mentioned below:

**Advantages:**

- (i) Existence of educational and recreational facilities is advantageous for children and dependents of workers.
- (ii) Facilities for technical/industrial education and training for children of workers are available.
- (iii) Evening classes facilities are available.
- (iv) Discussion opportunities and facilities for exchange of thought are available for interested people in societies and clubs.
- (v) All types of skilled man power is available.
- (vi) Repair, maintenance and service facilities for various utilities are available in abundance.
- (vii) Banking facilities regarding finance (loan etc.) for industry in case of necessity are available.
- (viii) Big markets for sale of products available.
- (ix) Better transport facilities for movement of raw materials, finished products and workers are available.
- (x) Many similar industries/plants exist in nearby areas.
- (xi) Housing facilities workers & employees.
- (xii) Police and fire protection facilities available in nearby area.

**Disadvantages:**

- (i) Insurance and taxation rate are high.
- (ii) Due to higher living standards, cost of consumer goods and wage rates are high.
- (iii) Possibilities of expansion are minimum due to scarcity of land.
- (iv) Cost of land is more if needed for expansion of the plant etc.
- (v) Building costs very high in comparison to rural or semi-urban areas.
- (vi) Atmospheric conditions not very pleasant rather suffocating.
- (vii) Local bye laws present a problem for future, working & expansion etc.

The small plants may find location in big cities that too in upper stories of the buildings. Such accommodation may be utilized in view of availability of requisite type of labour in big cities.

**Factor # 5. Location of an Industry in Small Town:**

There are some industries which are located in the rural areas or small towns specifically for the want of raw material and cheap labour.

Its advantages and disadvantages are mentioned below:

**Advantages:**

- (i) Less labour trouble and co-ordinal employee-employer relations,
- (ii) Suitable land for current and future requirements easily available.
- (iii) Local bye laws do not impose problem in working of the unit,
- (iv) No resistance from existing industries,
- (v) Possibility of tax exemptions exist.
- (vi) Not much congestion.
- (vii) Lower rents in comparison to big cities and urban areas.
- (viii) Lower wage rates for labour/employees/workers.
- (ix) Less fire risks,
- (x) Noise not much problem.





**Disadvantages:**

- (i) Scarcity of skilled labour of requisite type.
- (ii) Lack of recreational and amusement facilities for staff.
- (iii) Facilities like evening classes and industrial training do not exist.
- (iv) Employees/workers do not get accustomed to factory life easily,
- (iv) Specialized services needed for various purposes are not available,
- (v) Police and fire protection less satisfactory.
- (vii) Transportation and marketing facilities not satisfactory as required.

**Factor # 6. The Sub-Urban Location for a Factory:**

Such a location generally provides advantages of both the large city and small towns.

Benefits of such a locality may be summarized as follows:

- (i) Land is easily and cheaply available in comparison to big cities.
- (ii) Lower tax rates in comparison to big cities and urban areas.
- (iii) Transportation facilities equal to big cities available.
- (iv) Good living accommodation to enjoy advantages of big cities available for workers/employees.
- (v) Unskilled labour cheaply available.
- (vi) Recreational facilities of cities available due to easy transport facilities.

**Factor # 7. Site Selection:**

The third step is to select the exact plant site with the following considerations:

- (i) The cheap availability of land for current and future requirements, soil characteristics sub soil water, availability or possibility of economic drainage and waste disposal system are desirable parameters.
- (ii) The site should be easily accessible to various modes of transport as required so that apart from input materials, employees can also reach the site conveniently.
- (iii) The site should be free from zonal restrictions like from railways or civil aviation restrictions.

**Factor # 8. Current Trends in Plant Location:**

**(i) Location in Proximity of Cities:**

First tendency is to locate the industries or enterprises in the proximity of cities rather than in rural or urban areas. These sub-urban sites offer today practically all advantages, facilities and services available in cities and towns with the added advantage of land required for future expansion on cheap rates.

**(ii) Planned Industrial Centres:**

While industrial towns may be planned and developed by big industrial houses or govt., the latest trend is to develop areas as industrial estates and sell these to people interested in starting their units at various places. Noida and Faridabad are the examples of this type of development.

**(iii) Competition for Development of Industries:**

In order to generate the employment opportunities the state and central govt. offer concessions to attract industrialists to set up industries in their states or territories.

**Factor # 9. Appropriate Site Selection:**

Appropriate site selection is important because of the following:

- (i) A good location may minimize the cost of production and distribution to a considerable extent. Such reduction in the cost of production helps in elevating either the competitive strength or the profit margin of the business.
- (ii) Initiation of an enterprise involve a relatively large permanent investment. If the selected site is not proper, all the money invested on factory building, installation of machinery etc. will go as waste and the owner will have to suffer a great loss.



(iii) Location put constraints for the physical factors of the overall plant designs heating, ventilation requirements, storage capacity for raw materials, transportation requirements for input materials and finished products, energy requirements cost of labour, taxes and construction costs.

(iv) Location of plant decides the nature of investment cost to be incurred.

(v) Government policies sometimes play an important role in site selection.

(iv) Probably no location is so perfect as to guarantee success but locations can be so bad as to bankrupt an enterprise.

A comparison of rural and urban areas regarding site selection for an industry is given in Table 3.1.

### **Factor # 10. The Design of Factory Plant Building:**

After a plant location has been decided upon, management's next problem deals with the design of building. A building is designed and built to protect the property and employees of an organization. This basic fact is mostly overlooked in planning the requirement for building structures.

For those plants where employees, materials and infrastructural facilities require protection, the problems involved in designing and constructing effective and economical structures are many.

Good building design and planning can reduce manufacturing cost due to following reasons:

1. Reduction of work-in process inventory.
2. Lowering down material handling cost.
3. Reducing storage costs.
4. Reducing the manufacturing cycle time.
5. Simplifying manufacturing and employees control procedure.
6. Reducing plant repair & maintenance costs.
7. Decreasing work stoppage and interruptions during production cycle.
8. Increasing plant flexibility and utilization.
9. Reducing employee hiring and training cost.
10. Increasing morale of workers and reducing employee turnover.

Practically in all industrial situations, plants or building is composed of rectangular or square areas. The combinations result commonly in building of the shape L, T, U, G, H, F, E, I, O and polygonal. Generally speaking a square building is cheaper to construct than a rectangular building because the square will have less perimeter per square metre of usable area.

This reduction in perimeter length results in lower foundation and outside site and boundary wall costs. At the same time however the square shape of the building normally does not suit to efficient production or assembly lines patterns.

Furthermore, the cost of structural steel for floor and roof supports in the square building will likely to exceed that for a rectangular building and may offset the possible savings in foundation and wall costs.

### **UNIT-III**

#### **Business Combinations:**

When a voluntary association of firms is formed to achieve common goals and to enjoy the monopoly advantages, that sort of initiative is called business combination. The combination may be formed by a written or oral agreement among the firms. Sometimes firms decide to merge themselves into one unit. The main object of the business combination is to achieve common economic welfare for its members. But it is considered to be unlawful if any of its objectives is against the public interest. Business combinations may be permanent or temporary.

#### **Types of Business Combinations:**



Combinations may take several forms, such as horizontal, vertical, lateral, and diagonal, circular, or maybe a mixture of two or more of these types.

### Horizontal Combination

A horizontal combination comes into being when units carrying on the same trade or pursuing the same productive activity join together with a common end in view. Example of horizontal combinations are: Subject Name Subject Code Semester Prepared by Business Organisation 18BBA14C I Dr.R.Geetharamani, Assistant Professor 2 ▪ Disney's 2006 acquisition of Pixar. ▪ Facebook's 2012 acquisition of Instagram. The intensity of competition is naturally reduced when several units competing in the same line of business join together. The combining units can well take advantage of the various economics associated with large scale production by making common purchases, pooling resources for research, common advertising, etc.

### Vertical Combinations

Vertical integration is the combination of firms in successive stages of the same industry. It implies the integration of various processes of an industry.

Vertical combinations are brought into existence with the following objects in view:

1. To eliminate the wasteful and unnecessary expenses involved in carrying on the connected processes separately.
2. To eliminate middlemen functioning between various units
3. To secure economies in marketing, advertising, and transport
4. To maintain control over the quality of raw materials and finished products.

### Lateral Combination

Lateral integration refers to the combination of those firms which manufacture different kinds of products though they are 'allied in some way.' It can be of two kinds;

- i. convergent lateral integration, and ii.
- ii. divergent lateral integration. The convergent lateral combination comes into existence when different forms join together to supply goods and services to help the functioning of major undertakings. Example: For instance, a book publishing may join with other units producing paper, doing printing work, and providing bookbinding services.
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of a central agency, it is called a mixed or circular combination. This is affected to ensure smooth conduct of business operations by making timely availability of auxiliary services within the organization. Example, For example, Godrej is engaged in the manufacturing of cosmetics, electrical goods, office equipment locks, etc. The object is to secure the benefits of large-scale operations arising out of co-operation.

Forms of Business Combinations:

5 Combinations take different forms that have been developed over some time. A. Associations

1. Trade associations
2. Chambers of commerce.
3. Informal agreements.

B. Federations

1. Formal Agreement.
2. Pools.
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C. Consolidations

1. Partial consolidations
  - i. Trust.
  - ii. Holding companies.
  - iii. Community of Interest
2. Complete consolidations
  - i. Mergers.
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6 iii. Amalgamations. Associations:

Business units combine to attain some purposes without surrendering their autonomy.

**1. Trade Associations**

Under trade association, business units engaged in a particular trade generally come together and discuss matters for the promotion of their economic and business interest. They are generally formed on 'territory bases. Such association is organized on a non-profit basis and is essentially educational. Sometimes the association may make representations to the government to safeguard the interests of a trade or an industry



## 2. Chamber of Commerce

Chamber of commerce is voluntary associations of persons connected with commerce, trade, and industry. These are formed with the object of promoting and protecting the interests of business and business communities in a region, country, or even in the world as a whole. Their functions include promoting, supporting, or opposing legislative or other measures affecting the trade interests of the members, the collection and dissemination of information concerning trade, commerce, etc. to members. They also undertake the function of referring disputes arising out of trade activities to 7 arbitrations for settlement, performing such other things as may be conducive to the expansion of trade.

## 3. Informal Agreement

Informal agreements involve the exchange of promise among members regarding restriction of output, fixation of prices, etc. They are also referred to as Gentlemen's agreements. It is only the moral duty of business units to keeping the promise. Federations: Federations form of combination aims at rendering benefit to member-units for certain specific purposes under an agreement. Of such federations, 'Pools' and 'Cartels' are most notable

. **1. Pools:** It means that the members of the pooling agreement joint together to regulate the demand or supply of a product without surrendering their separate entities. The agreement may relate to the regulation of output, reallocation of output, redistribution of income, etc. Haney defines and industrial pools as a form of a business organization established through a federation of business units whose members seek a degree of control over prices by combining some factors in the price making process in common aggregate and apportioning that aggregate among members.

**Cartels:** A pool having a common sales agency is known as Cartel. It is, thus, an output and profit pool. The object of a cartel is to eliminate competition by forming a federation of producers that pool the output, fixes the price, and sells the product. The profits reaped by cartels are distributed amongst the members – units on a pre-determined basis. Consolidations: The last form of combination is consolidation. This form involves the highest degree of integration.

The consolidation may be of two types:

### Partial Consolidation

1. **Trusts** Trusts may be defined as a form of a business organization through temporary consolidation in which the shareholders of the constituent organizations under a trust agreement transfer a controlling amount of their stock to a board of trustees in exchange for a trusted certificate. These trust certificates show their equitable interests in the income of the combinations. Thus, trustees under the trust manage the affairs of the member concerns in the interests of the real owners, who are entitled to dividends based on trust certificates held by them.
2. **Holding Companies** A holding company is a form of business organization that is created to combine industrial units by owning a controlling amount of their share capital. Controlled companies are referred to as subsidiary companies. The subsidiaries are independent and function in their name. But they are effectively managed by the holding company.
3. **Community of Interests:** A Community of interest may be defined as a form of business organization, in which without any formal central administration, the business policy of several companies is controlled by a group of common stockholders or directors. Thus, the administration of different companies is possible either through managerial integration, administrative integration, or financial integration. Complete Consolidation In complete





consolidation, the combining units lose their entity. It is defined as a form of business organization which is established by the outright purchase of the properties of the constituent organizations and the merging of such properties into single business units. Complete consolidation may be of the following types:

1. **Merger** : A merger takes place when; two or more organizations merge, and their operations are absorbed by a new organization.
2. **Acquisition** : It refers to the process of acquiring a company at a price called the acquisition price or acquisition premium. The price is paid in terms of cash or acquiring the company's shares or both. To read more about mergers and acquisitions, click [here](#).
3. **Amalgamation** : Amalgamation is an arrangement where two or more companies consolidate their business to form a new firm or become a subsidiary of any one of the companies. For practical purposes, the amalgamation and merger of the terms are used interchangeably.

### **Causes/Reasons for Business Combination:**

Although the business combination is primarily formed for achieving a common (single) goal, it may also be formed keeping in mind the following reasons:-

1. **Elimination of Competition** Due to hard competition among the firms' rate of profit decreases. Some firms may suffer a loss also. So the industrialists feel pleasure in setting up a combination to avoid the competition.
2. **To Solve Capital Problem** Small units of production face the problem of capital shortage. They cannot expand their businesses. As a result, small units may form a combination to overcome this problem.
3. **To Achieve Economies** Some small units combine themselves to achieve the economies of large scale production advantage. It helps to purchase the raw materials at low prices and sell more products which would increase the profit.
4. **Effective Management** generally, small units are unable to hire the services of experts and experienced managers. So small industrial units combine themselves to hire the services of effective management.
5. **Tariff Facilities** To compete with external firms, some industrial units combine themselves. The government also imposes heavy duties to protect domestic producers.
6. **Uniform Policy** All the units adopt uniform policy due to business combinations. It regularizes the business activities of all the units.
7. **Use of Technology** The business combination can use the latest technology and new methods of production because its resources are sufficient. In contrast, a single unit cannot do so.
8. **To Face Crises** It is very difficult for the small industrial units to face crises in the days of inflation and deflation. So the small units combine themselves to face these problems easily.
9. **Growth of Joint Stock Companies** The growth of Joint-stock companies has also made it possible for various industrial units to form combinations.



10. Status in Market A big firm enjoys a higher status and respect than the smaller one. So, small business units prefer to combine themselves for higher status.
11. Demand and Supply Balance A business combination is very useful in controlling the overproduction. It adjusts the supply according to the demand of the market. So overproduction cannot take place, and prices remain stable.
12. Transport and Communication Development Activities It has made economic activities fast. Now there is close contact with a businessman with the others. So it has also contributed to the growth of combination.
13. Research Facilities Small firms cannot set up the research department, while through business combination, these facilities can be enjoyed.
14. Economic Instability In the case of economic and political instability, there is a chance of loss in every moment. To reduce the risk, small industrial units combine themselves.

**Advantages of Business Combination:**

The advantages of a combination are controversial because the creation of monopoly and elimination of competition both are considered the merits and demerits of the combination.

Anyway, the following are the significant merits of combination:

1. Increase in Capital The volume of capital may be increased by the formation of a combination. The members combine their resources to conduct large size business.
2. Elimination of Competition By the formation of combination, unnecessary competition is eliminated, and member firms earn monopoly profit
3. Saving in Expenses Administrative production and distribution expenses reduce due to combination.
4. Controls over Production The combination is very effective in controlling overproduction. It helps to adjust the supply according to the demand.
5. Large Scale Marketing In the market, competition position is strong in bargaining. So it sells the product at a higher price.
6. Experts Services A combination can acquire the services of experienced specialists. It increases the efficiency of the combination.
7. Research Work A combination can spend money on research work, which is very important for the business. This research work reduces its cost and increases its profit.
8. Use of Modern Technology A combination is capable of using the latest inventions and new methods of production as a consequence of a transfer of technology. It will increase profit.
9. Stability A combination is a more stable form of business as compared to the individuals' units. The chances of dissolution are also less than others.
10. Division of Labor The principle of division of labor is applied in combination, which increases the production efficiency of combination.

**Disadvantages of Business Combination:** Following are important disadvantages of combination:

1. Creation of Monopoly It creates a monopoly that is harmful to the people in the long run.



2. The concentration of wealth It concentrates the wealth in a few hands and divides society into few classes, such as rich, middle, and poor.
3. Reluctant to be Accepted The combination is disliked by the people, and it is not acceptable.
4. Changes in Friction The chances of friction among directors and officers are bright. They quarrel with, each other for their interest
5. No Personal Contact It is not possible to maintain direct contact between employees, creditors, and shareholders, due to this business may suffer a loss.
6. Costly Management A combination hires costly management, which increases the cost of production.
7. Over Capitalization There is always a danger of over-capitalization in the combination. It is harmful to the combination.
8. Misuse of Funds The directors of the company enjoy unlimited power and misuse the capital.
9. National Interest Ignored Generally, the combinations ignore the national interest, and they involved in such activities that are against the national interest

**Causes for the Growth of Business Combination:**

1. Elimination of Cutthroat Competition Large-scale production and intense competition have become the rule of the present day economy. Cutthroat competition leads to wasteful advertising, unnecessary duplication, over production etc., which all ultimately result in lowering the profit margin of the industrialists. Under such circumstances, small units could not survive. Therefore, the only alternative available to the industrialists is the elimination of competition, which could be possible only through business combination.
2. Economies of Large-scale Production Large-sale production has certain definite advantages. If different firms come together and form amalgamations, the scale of operation also become larger and savings in overhead charges can be effected.
3. Influence of Tariff The tariff policies of different countries have also furthered the causes of the combination movement. Tariff is often described as the “Mother of Combination“. By imposing high tariff on imported goods, the Governments throughout the world offered protection to home industries. The protection offered by the state resulted in the establishment of a number of business units. Consequently, competition amongst them became tense and the need for business combination was felt.
4. Transport Revolution Another contributory cause for the combination movement was the revolution in transport and development of communications. The development of transport facilities accelerated the growth of large-scale undertakings. The large undertakings began to absorb smaller units to cater to the needs of the local market.
5. Organizational Revolution The growth of joint stock companies has also facilitated combinations. Basically the company form of organization itself is a type of combination. Large companies with huge capital were able to control comparatively small companies by subscribing to their shares. Hence, holding companies came into being.
6. Control of the Market Another important cause for the rise of the combination movement was the desire to control the market by regulating the output. This goal could be achieved only through business combination.
7. Trade Cycles The tendency of business activities to fluctuate regularly between booms and depressions gave a fillip to business combinations. Particularly during the periods of



depression, new units cannot enter into the industry and even the existing small and inefficient units cannot survive.

During 1930, when the Great Depression occurred, the situation became very awkward and the industrialists began to adopt the technique of business combination.

8. Technological Factors The technological development also paved way for large-scale operations. Small units with limited financial resources were found unable to compete with bigger ones. Hence, they realized the need for business combination. Moreover, the adoption of modern techniques required huge capital investments, which small units could not provide. Therefore, they were forced to combine themselves to get the benefits of modernization.

9. Patent Laws Business Combination has also been fostered by patent laws. The inventors were given exclusive right of the use of their inventions. This statutory right also furthered the combination movement.

10. Individual Ability Men of technical skill of a superior order are less in number. The scarcity of business talent is also a cause for the centralization of powers in the hands of a few. Many combines have common directors, managers, which in effect would mean their common control.

11. Policies of the Government The labour, fiscal, industrial and taxation policies of the Governments also influenced the formation of business combinations. The Government may even exert pressure on weaker units to merge with bigger ones. Frequent changes in the policies of the Government also increased the uncertainty among the businessmen. The instability of the economic policies also encouraged the growth of the combination movement.

12. Rationalization In fact, combination is the first step towards rationalization. The growth of rationalization movement encouraged the emergence of business combinations to a great extent.

13. Cut of the Colossal The mid-nineteenth century brought in its wake the cult of the colossal-respect for bigness. People began to respect big things and there was a corresponding contempt for small things. The impact of this tendency was felt in the business field also. The glamour for giant undertakings captured the minds of the industrialists. This tendency also furthered the combination movement. Combination view to make it successful.

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depression, new units cannot enter into the industry and even the existing small and inefficient units cannot survive.

During 1930, when the Great Depression occurred, the situation became very awkward and the industrialists began to adopt the technique of business combination.

8. Technological Factors The technological development also paved way for large-scale operations. Small units with limited financial resources were found unable to compete with bigger ones. Hence, they realized the need for business combination. Moreover, the adoption of modern techniques required huge capital investments, which small units could not provide. Therefore, they were forced to combine themselves to get the benefits of modernization.

9. Patent Laws Business Combination has also been fostered by patent laws. The inventors were given exclusive right of the use of their inventions. This statutory right also furthered the combination movement.

10. Individual Ability Men of technical skill of a superior order are less in number. The scarcity of business talent is also a cause for the centralization of powers in the hands of a few. Many combines have common directors, managers, which in effect would mean their common control.

11. Policies of the Government The labour, fiscal, industrial and taxation policies of the Governments also influenced the formation of business combinations. The Government may even exert pressure on weaker units to merge with bigger ones. Frequent changes in the policies of the Government also increased the uncertainty among the businessmen. The instability of the economic policies also encouraged the growth of the combination movement.

12. Rationalization In fact, combination is the first step towards rationalization. The growth of rationalization movement encouraged the emergence of business combinations to a great extent.

13. Cut of the Colossal The mid-nineteenth century brought in its wake the cult of the colossal-respect for bigness. People began to respect big things and there was a corresponding contempt for small things. The impact of this tendency was felt in the business field also. The glamour for giant undertakings captured the minds of the industrialists. This tendency also furthered the combination movement. Combination view to make it successful.



## UNIT-IV

### INTRODUCTION

Management is essential for all organizations big or small, profit or non-profit, services or manufacturing. Management is necessary so that individuals make their best contribution towards group objectives. It consists of a series of interrelated functions that are performed by all managers.

According to Harold Koontz, "Management is an art of getting things done through and with the people in formally organized groups. It is an art of creating an environment in which people can perform and individuals can co-operate towards attainment of group goals". According to F.W. Taylor, "Management is an art of knowing what to do, when to do and see that it is done in the best and cheapest way".

**Management is the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims.**

### DEFINITION:

1. **In the words of Henry Fayol:** "Management is defined as, to manage is to forecast, to plan, to organize, to command, to coordinate and to control."
2. **Koontz O'Donnell:** Management is the task of manager to establish and maintain internal environment in which people working together in groups can perform effectively towards the attainment of group goals.

In short management may be defined as the agency that provides leadership, guidance, and control for the achievement of the objective set by administration.

### NATURE OF MANAGEMENT

**1) Management as Science-** Science is a systematic body of knowledge pertaining to a specific field of study that contains general facts which explains a phenomenon. Since the principles of management are not as exact as the principles of science their application and use is not universal. They have to be modified according to on given situation.

#### **2) Management as an Art-**

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

1. **Practical Knowledge**
2. **Personal Skill**
3. **Creativity**
4. **Perfection through practice**
5. **Goal-Oriented**

#### **3) Management as a Profession-**



A profession may be defined as an occupation that requires specialized knowledge and intensive academic preparations to which entry is regulated by a representative body. The practice of management is an art. However, managers can work better if their practice is based on the principles of management. These principles constitute the science of management. Management as an art and a science are therefore not mutually exclusive, but complement each other.

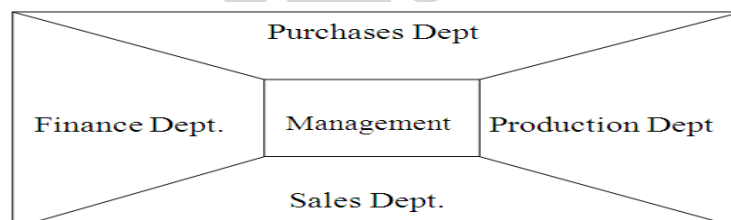
The essentials of a profession are:

1. Specialized Knowledge
2. Formal Education & Training
3. Social Obligations
4. Code of Conduct
5. Representative Association

#### **FEATURES OF MANAGEMENT-**

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

1. Management is Goal-Oriented
2. Management integrates Human, Physical and Financial Resources
3. Management is Continuous.
4. Management is all Pervasive
5. Management is a Group Activity
6. Management is the art of getting things done through and with people.
7. Management is primarily direction.



8. **Management is the development of people:** It is the selection, the training the supervision and the development of people.

By American Corporation "We do not build automobiles, refrigerators, shoestring; we build men. The men build products.

**The two important elements which make up the art of management are:**

<b>(A) Human Resources</b>	<b>(B) Physical Resources</b>
(a) Personnel Admission	(a) Finance or Money
(b) Training	(b) Raw Materials
(c) Development of Human Environment	(c) Buildings
(d) Development of natural talent of the people.	(d) Machinery or Plant
(e) Development of Human personality.	(e) Other Equipments

#### **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. **Management meets the challenge of change:** In the modern business world, there are frequent changes. The changes place the business in a dangerous position. Only an efficient management can save the business from the dangers brought in by the challenges.
2. **Accomplishment of group goals:** The achievement of objectives of a business depends upon three factors. The proper planning of available resources, adjusting possibility of business unit with existing business environment and the quality of decision taken and control made by the business unit are the factors responsible for achieving objectives.
3. **Effective utilization of business:** There are eight M's in the business. These are said to be man, money, materials, machines, methods, motivation, market and management. Management is the topmost of all other 'Ms'. Management has control over other remaining 'Ms'.
4. **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.
5. **Resource development:** Efficient management is the life boat of any developed business. The resources of the business may be identified and developed by the management. The term 'resources' includes men, money, material and machines.
6. **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.
7. **Management directs the organization:** The human mind directs and controls the functioning of human body. Similarly, the management directs and controls the functioning of an organization.
8. **Integrates various interests:** Each person has his own interests these interests are different in nature. Management takes steps to integrate various interests to achieve the objectives of an organization.
9. **Stability:** The fluctuations of business are stabilized by the management. The fluctuations of business are caused by the changing policy of the government, pressures on the part of competitors and changing preference of customers. The efficient management can run the business as per the policy framed by the government, face the competitors in the market and produce the articles as per the preference of customers.
10. **Innovation:** New ideas are developed by the management and implements in the organization. Better performance is achieved through new ideas.
11. **Co-ordination and Team-spirit:** All the activities of business are grouped department-wise. Management co-ordinates the activities of different departments and establishes team-spirit to achieve the objectives.



12. **Tackling problems:** Good Management acts as a friend or a guide of workers while tackling problems. When workers get over confidence of solving the problems for effective performance of a job, they fail in tackling the problems efficiently.
13. **A tool for personality development:** Management gives direction to workers for effective performance of a job. Besides, new methods or techniques are taught to workers. The training facilities are arranged by the management. In this way, management is a tool to develop the personality of workers to raise their efficiency and productivity ability.

## 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. Main Functions

1. Planning
2. Organizing
3. Staffing
4. Directing
5. Co-ordination
6. Motivation
7. Controlling

### II. Subsidiary Functions

1. Communication
2. Decision Making
3. Innovation

## 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.

Planning emphasizes the fact that if one knows where he is going, he is more likely to get there. Good managers endeavour to draft a plan which will make things happen in the desired way. This is also stressed by the saying "Good manager make things happen, things do not just happen to them."

### 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. The whole process of forming groups and allocating jobs is organization.

Organizing as a process involves:

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





**3. Staffing:-** is concerned with ensuring that the right type of personnel is available to undertake and execute the varied activities required to attend the planned objectives of the organization. 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.

Staffing involves:

- Manpower Planning (estimating man power in terms of searching, choose the person and giving the right place).
- Recruitment, selection & placement.
- Training & development.
- Remuneration.
- Performance appraisal.
- Promotions & transfer.

**4. Directing:-** is that part of the management process which activates the organization members to work efficiently and effectively for the attainment of organizational objectives. 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 it, 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 :- Exchanging ideas and information in order to create mutual understanding.

(ii) Command:- Issuing orders and instructions to subordinates.

(iii) Motivation: - Inspiring employees to work with zeal.

(iv) Leadership :- Influencing people

(v) Supervision: - overseeing of subordinates at workplace with a view to guide and regulate their efforts.

(vi) Controlling:- is evaluating the performance and applying corrective measures so that the performance takes place according to plans.

**5. Co-ordination:** It may be defined as the synchronizing of effort from the stand point of time and the sequence of execution. Co-ordination leads to the completion of the production and other functions as per planned schedules.

**6. Motivation** ; It is psychological technique of executing the plans and policies through the effort of others. It is through motivation that the manager inspires the subordinates to do what he wants them to do.

**7. Controlling :-** Breach defines control as “the process of checking actual performance against the agreed standards or plans with a view to ensuring adequate progress or satisfactory performance.” 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.

Controlling has following steps:

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

## SUBSIDIARY FUNCTIONS



1. **Communication:** In business management ideas, objectives, instructions, suggestions etc. have to be exchanged among the managerial staff for the purpose of planning, executing or operating the business policies.
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. **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.

### **.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, leading, and controlling."

### **CHARACTERISTICS**

The main characteristics of management process are as follows:

#### **Features or Characteristics of Management**

- Art as well as science
- Management is an activity
- Management is a continuous process
- Management achieving pre-determined objectives:
- Organized Activities
- Management is a factor of production
- Management as a system of activity
- Management is a discipline
- Management is a purposeful activity
- Management is a distinct entity

### **PRINCIPLES OF MANAGEMENT**

According to Koontz and O'Donnell 'Principles are fundamental truths which are believed to be truths at a given time, expressing relationship between two or more its of variables.' Management principles increase managerial efficiency, crystallize the nature of management, encourage research and help in attaining the social objectives.

#### **Following are the important principles of Management**

1. **Principle of Objective:** Knootz & O'Donnell suggest that "The organisation as a whole and every part of it must contribute to the attainment of enterprise objectives."
2. **Principles of Planning:** Planning is an important element for good management. Policies, programmes etc must be prepared to execute them properly.



3. **Principles of Span of Control:** Span of control means the number of subordinates under the direct supervision of a superior. The number of persons to be supervised depends upon the nature and type of work, ability of the supervisor etc.
4. **Principle of Balance:** This principle states that different parts or units of an organisation should be in balance.
5. **Principle of Coordination:** Human efforts and other resources should be coordinated in order to achieve organisation goals effectively.
6. **Principle of Exception:** Superior should not interfere in the routine work of his subordinates so long as they do their work according to the plans & within the scope of their authority.
7. **Principle of Participation:** Managers must encourage participation of their subordinates in taking decisions on matters directly offering them.

### Management V/S Administration

**Management and Administration** – “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 2 categories–**

1. Functions
2. Usage/Applicability

#### On the Basis of Functions:-

Basis	Management	Administration
<b>Meaning</b>	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.
<b>Nature</b>	Management is an executing function.	Administration is a decision-making & when it is to be done.
<b>Process</b>	Management decides who should do it & how should he do it.	Administration decides what is to be done & when it is to be done.
<b>Function</b>	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.
<b>Skills</b>	Technical and Human skills	Conceptual and Human skills
<b>Level</b>	Middle & lower level function.	Top level function

#### On the Basis of Usage:-

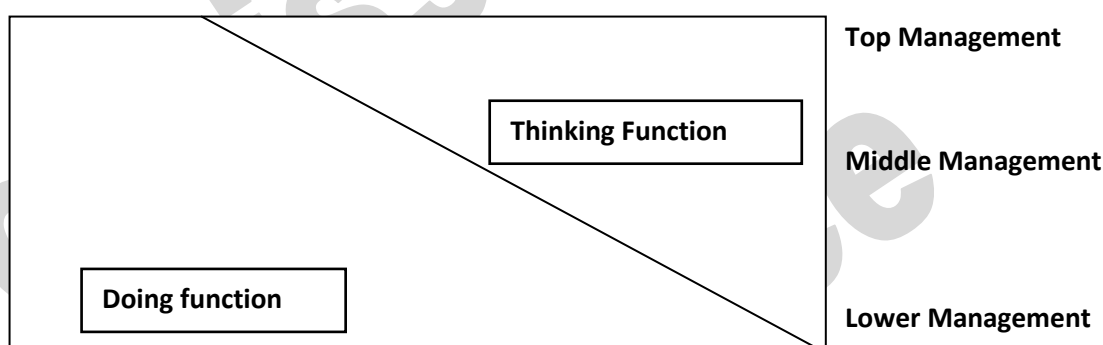
Basis	Management	Administration
<b>Applicability</b>	It is applicable to business concerns i.e. profit-making organization.	It is applicable to non-business concerns i.e. clubs, schools, hospitals etc.
<b>Influence</b>	The management decisions are influenced by the values, opinions, beliefs	The administration is influenced by public opinion, govt. policies, religious



	& decisions of the managers.	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 denote more time on administrative function & the lower level devote more time on directing and controlling worker's performance.

#### **Management V/S Administration**



There has been a sharp division of opinion, disagreement and terminological conflict about the use of the two terms management and administration. Some experts assert that and some consider them as two separate functions. There are different views regarding management and administration which are as follows.

- 1. Administration is above Managements:** the American thinkers like allover Sheldon, William, Spiegel, Haimann view that administration is a higher level activity and involves thinking function while management is lower level activity and is doing/executing function.
- 2. Administration is part of Management:** British school of management considers management as wider term including administration and organisation. This view says that administration is a subordinate function to overall management function.
- 3. Management and Administration are Synonymous:** authors like Henry Fayol, George Terry Treat Management and administrations as same concept. They believe that both the terms can be used interchangeably.

#### **EVOLUTION OF MANAGEMENT THOUGHTS**

Application of management knowledge is as old as human civilization but development of management thought and theory is relatively of recent origin. Management thoughts may be placed under three main categories which are discussed below:-

##### **1. Classical or Traditional Management Approach : Classical or Traditional Management Approach** includes the following

**(a) Scientific Management:** - This theory was propounded by sir F.W. Taylor Sir Taylor has expressed the basic philosophy of scientific management in the following terms :-

- (I) Science, not rule of thumb
- (II) Harmony, not discord
- (III) Cooperation, not individualism





(IV) Maximum, not restricted output

(V) Development of each employee to his greatest efficiency and prosperity.

Sir Taylor based on his experience at the shop floor, developed guide lines to the practice of management which are as under –

(i) Scientific study and planning of work –

The work to be assigned to and performed by workers should be studied, analysed and planned as to determine a day's fair work for each worker.

(ii) Scientific selection, placement and training: - Employees selection should be made by using scientific methods, instead of relying on intuition and judgment of the foremen.

(iii) Standardization: - Standard quality tools and equipments, raw material used and physical working conditions should be provided to the workers.

(iv) Division of responsibility between management and workers: - Planning of work should be a responsibility of managers whereas role of workers should be confined to implementation of these plans.

(v) Functional Foremanship: - According to Sir Taylor, instead of having one foreman, there should be eight supervisors to guide and command the activities of workers.

(vi) Mental Revolution: - In order to get desired results of scientific management, outlook, behaviour and attribute of the workers as well as management should be changed.

(vii) Wage incentives :- The worker producing more should be given higher wages according to differential piece rate plan,

**(b) Administrative theory of Management/Management process school:-**

This theory was given by Sir Henri Fayol. He wrote a monograph titled as 'General and Industrial Management' published in 1916. It is in four parts which are discussed below:-

**First part of monograph deals with classification of business activities as:-**

- Technical activities (manufacturing and production)
- Commercial activities (buying, selling and exchange)
- Financial activities (raising and optimum use of capital)
- Accounting activities (recording, costing and statistics)
- Managerial activities (POSDCORB)
- Security activities (Protection of persons & property)

**Second part of the monograph contained basic managerial functions viz:-**

- Planning and forecasting.
- Organising
- Commanding
- Co-ordinating
- Controlling

**Third part consists of Fayol's 14 principles of management viz :-**

- Division of work
- Authority and responsibility
- Discipline
- Unity of command





- Unity of direction
- Subordination of individual's interest to interest of organisation
- Remuneration
- Centralisation
- Scalar chain
- Order
- Equity
- Stability of tenure of personnel
- Initiative
- Espirit-de-corps

**The fourth part of monograph deals with managerial qualities which should be possessed by managers. These are:-**

- Physical qualities (health, vigour, personality)
- Mental ability (ability to understand & learn, make decisions etc.)
- Moral education (loyalty, dignity, ethical values etc.)
- Special knowledge
- General education
- Experience (knowledge arising out of practice)

**(c) Bureaucratic Organization:-**

This model developed by sir Max Weber is based on the following characteristics:-

- (i) Division of labour:-  
It implies to divide and assign activities to various employees on the basis of their skills, abilities and aptitude.
- (ii) Hierarchy of authority: - All employees are attached to each other in the relationship of authority.
- (iii) Rigidity in compliance with proecedures and frame work of rules without any deviation.
- (iv) Impersonality :-  
In a bureaucratic organization, there is no place of emotions, sentiments and personal attachment.
- (v) Technical competence: - People ought to be hired and promoted on the basis of what they know about job.

**2. Behavioural or Neo-Classical Approach: -** Neo-Classical approach included Human relation approached behavioural sciences approach.

**(a) Human relation Approach :-** It is based on the following factors –

- (i) Human organization was considered as psycho-social system.
- (ii) Apart from economic needs, the employees have other social and psychological needs such as dignity, recognition, appreciation etc.
- (iii) Regarding human nature, highly optimistic assumptions were made about workers such as they want to work, assume responsibility provided they are given an opportunity.
- (iv) There should be no conflicts or clashes in organization and at all if it arises, it must be removed completely.
- (v) As to secure maximum contribution the manager should get along with employees and workers.



(vi) In order to motivate individual employee his motivating desire should be ascertained in terms of his emotions, beliefs, attitudes and habits.

(vii) Sense of belongingness should be created among employees by giving them more importance and getting them involved in decision-making.

**(b) Behavioural Science Approach:** This approach also known as 'Organizational Behaviour Approach'.

Advocates of behavioral Science strongly believe that organisation is socio-technical system which consists of individuals and their interpersonal and social relationship with each other on one hand and on the other various techniques, methods and procedures used by them for performing several jobs assigned to them.

This approach highlights that individual goals and interests of employees can be integrated with organizational goals as to avoid conflict and clash between them.

According to this approach conflict and co-operation co-exist in organization.

Behavioural scientists recognize individual differences in terms of their personality. Goals, beliefs, values and perceptions.

Behavioural approach also assumes that people are the key to productivity.

**Modern Approach to Management:** Modern approach includes the following three approaches

**Quantitative Approach:** - This approach also known as 'management science approach' has been developed during 1950. It is based on the approach of scientific management. It offers systematic and scientific analysis and solution to the problems faced by managers. The quantitative approach aims at achieving high degree of precision, perfection and objectivity by encouraging the use of mathematical and statistical tools for solving complex problems.

**(a) System Approach:** - System approach of management represents new thinking and latest developments related to organisation and management. It was developed after 1950 emphasizing interdependence and interrelationship among various activities or organization. The term system may be defined as a set of interrelated and interacting components assembled in a particular sequence as to produce some results, these components may also be viewed as sub-systems of larger system. It is only through these sub-systems the larger system operates, thus larger system can be viewed as a whole entity or totality.

**(b) Contingency Approach:** - The theme behind contingency approach is that there is no single best way of managing applicable to all management situations. According to this approach, managers instead of applying principles & practices of management uniformly to every situation they should study, analyze & diagnose the situation in terms of its variables & requirements & then prepare a plan to deal with it effectively.

### 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.

### 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.

### 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 in 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 decided 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 increased 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 received a bonus in addition to his wages if the completed his job before the standard time fixed for the job.

### 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.

### **General principles**

#### **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.

#### **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.

#### **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

#### **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.

#### **Unity of Direction**

Means that 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.

#### **Subordination 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

#### **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.

#### **Centralization**

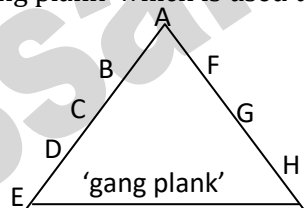




Centralization refers to decreasing role of subordination in decision making Fayol says Centralization is not a system of management goods or bad of itself. Centralization implies the Centralization of authority at the top management. Relationship between Centralization & decentralization of authority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

### 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.



### Order

To run well an organization should have a place of everything and everything should be in its place. These 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

### Equity

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

### 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.

### Initiative

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

### 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 the morale of an organization people is an asset 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**.
8. Fayol was a top executive, and therefore, was in a better position to look at the functions of a manager than Taylor.

#### **Management by objectives (MBO)**

Management by objective is a process whereby superior and subordinates jointly identify the law of objectives, set the results that should be achieved by the subordinates, assess the contribution of each individual, and integrate individuals with the organization so as to make best use of organizational resources. It is a way of managing which involves:

- (a) Identification of organizational, divisional, departmental, group and individual objectives.
- (b) Formulations of effective managerial strategies, policies and procedures
- (c) Measurement of performance in terms of objectives

#### **Definition of management by objectives**

"MBO is a comprehensive managerial system that integrates many key managerial activities in a systematic manner, consciously directed towards the effective and efficient achievement of organizational objectives."

**Koontz and O' Donnell**

"Management by objectives is regarded as a system for improving performance, both the individual managers and the enterprise as a whole by setting of objectives at the corporate departmental and individual managerial level."

**Peter Druker**

#### **Characteristics of MBO**

1. A Philosophy of management
2. Goal oriented approach
3. Common objectives and individuals goal
4. Participation and involvement
5. An interactive approach
6. A comprehensive approach
7. A system approach
8. Aims of optimum results
9. Universal approach
10. Increasing competence



## Process of MBO



### Steps involved in MBO

- |                               |                            |                    |
|-------------------------------|----------------------------|--------------------|
| 1. Diagnosis                  | 4. Goal Setting            | 7. Joint agreement |
| 2. Planning                   | 5. Developing action plans | 8. Interim Review  |
| 3. Defining the Employees job | 6. Superior Review         | 9. Final Review    |

### Advantages of MBO

1. Encourages result oriented philosophy
2. Clearer goals
3. Effective planning
4. Clarification of organizational roles
5. Coordination
6. Encourages commitment
7. Self direction and control
8. Motivation
9. Facilitate control
10. Improved performance appraisal
11. Cordial relations between superior and subordinates
12. Development of managerial skills.
13. Facilities organizational change and development
14. Improves communication
15. Boosts employees morale

### Limitations of MBO

1. Lack of guidelines
2. Difficulty of setting goals
3. Emphasis on short term and quantitative goals
4. Unethical means
5. Inflexibility
6. Time consuming
7. Excessive paper work



8. Uncertain environment
9. Neglect of personal development goals
10. Complex system.

### Management by Execution (MBE)

Management by exception or the exception principle asserts that every subordinate should be authorized to manage or perform his routine jobs without any intervention from his superior manager. superior manager should be called to interfere only in exceptional circumstances. So long as the problem is within the scope of subordinates authority of the performance is within the limits of the standards manager need not interfere in their working similarly, the subordinates should refer the matters only of exception nature to his superior manager this practice of management is known as the MBE

### Definition of MBE

#### Acc. To Lister Bitter

"Management by exception is an information and control technique that provides management with signals that tell when a condition or operation is within its prescribed standard and when it is not."

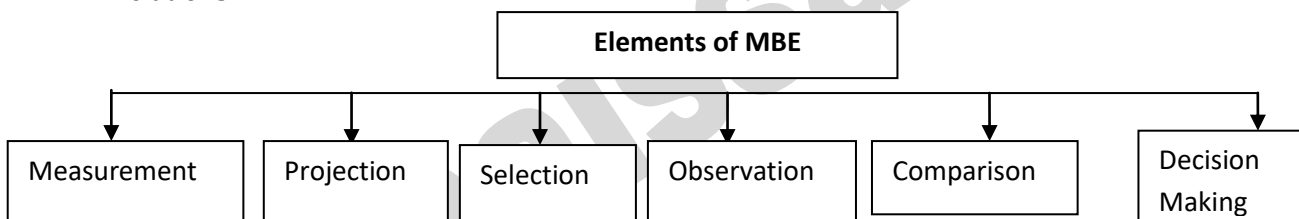
#### Acc. To Thomas Divining

"Exception principle of management states that only significant deviations from policies and procedures should be brought to the attention of managers."

### Characteristics of Management by Exception

Following are the main characteristics of management by exception:

1. Management by exception is a system under which only those matters and problems are brought to the notice of high level managers which are of great importance.
2. Matters of routine nature or problems related to day to day working are resolved by subordinates on their own.
3. In this system, there is stress on decentralization of authority.
4. High management officials have complete trust on their subordinates and they delegate authority to them.
5. This management technique lays stress on improving skills and working capabilities of the subordinates.
6. High level managers concentrate their attention only on important matters in system of management by exceptions.
7. In this system, effective communication is arranged and stress is laid on development of cordial relations.



According to F.W. Taylor, "The principle provides leverage for the use of management time and enables the managers to accomplish far more than if they were to apply themselves indiscriminately to every problem that arose. The main advantages of MBE are as follows:

1. It conserves the time effort and talent of subordinates as well as superiors.
2. Subordinates may easily concentrate on their routine job without any interference.



3. Superior can pay more attention on exceptional matters. They may concentrate on long-range strategic planning and control in key areas.
4. It focuses the paper use of standards for doing the things and evaluating performance.
5. It can limit or reduce the deviations in performance.
6. It provides freedom to subordinates in their routine jobs.
7. Subordinates have better opportunities of using their knowledge and expertise in performing their jobs.
8. It helps in installing effective control system
9. It helps in separating important information from unimportant information.

**Disadvantages/Limitations:**

In spite of benefits, MBE suffers from the following limitations:

1. It requires establishment of clear and broad standards of performance. But it is very difficult to do so.
2. It requires detailed reporting system, which is also not so easy.
3. It is not easy for the subordinates to measure and evaluate the performance and find out deviations.
4. Sometimes, it becomes very difficult to measure performance accurately. Therefore, the principle cannot be effectively applied.
5. It requires delegation of authority which many managers do not want to do so.
6. It requires too much paper work which renders it a costly and time consuming practice.

**Distinction between MBO and MBE:**

MBO and MBE may be distinguished as follows:

1. MBO is technique of decentralization of authority and seeking participation in management of subordinates. On the other hand, MBE is a technique of managerial control.
2. In MBO subordinates establish their own goals with the help of superior managers. On the other hand, in MBE superior managers control the exceptional problem in performance when they seek their help.
3. In MBO, performance is jointly evaluated by the superior and the subordinate and former guides the latter to improve the performance. In MBE, superior uses his authority to correct the deviation or problem in performance.
4. It is very difficult to remove deviation immediately in MBO whereas in MBE deviations may be corrected immediately.

**Planning**

Planning is the process of defining organisational objective and selecting best possible future courses of action for achieving these objectives efficiently and effectively. Planning governs the survival, progress and prospering of any organisation in a competitive and ever changing environment. It requires anticipating future and decision making that is choosing from among alternative future courses of action. It provides the blueprints of actions to achieve goals.

Planning involves the selection of policies, procedures methods, rules and resources for achieving the objectives, thus, planning is a process which helps in getting answer of following questions:

- What is to be done
- Why it is to be done
- How it is to be done
- By whom to be done
- When to be done





- Where to be done
- What resources are required for doing it

### **Definition of planning**

#### **According to George R. Terry**

“Planning is the selecting and relating of facts and making and using of assumptions regarding the future in the visualization and formulation of proposed activities believed necessary to achieve desired results.”

It is deciding what needs to be done, when and how it needs to be done, and who is to do it. It requires anticipating future and decision making, that is, choosing from among alternative future courses of action. It provides the blueprints of actions to achieve goals.

#### **Characteristics or nature of planning :**

1. Primary task of management
2. Intellectual process
3. Future oriented
4. Decision oriented
5. Goal oriented
6. Forecasting is the essence of planning
7. Pervasive function
8. Planning and action are twins of management
9. Planning is wider than decision making
10. Inter dependent activity
11. Continuous and dynamic activity
12. Planning is the basis of control
13. Planning follows a systematic and reutilized procedure.
14. It is participative in nature
15. Planning always has a dimension of time.
16. Planning also implies “managerial innovation” (Koontz and Weihrich)

#### **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.

## **TYPES OF PLANS**

### **On the basis of Managerial Hierarchy**

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

### **On the basis of Frequency of Use**

1. Standing plans
2. Single use plans

### **On the basis of Time Frame**

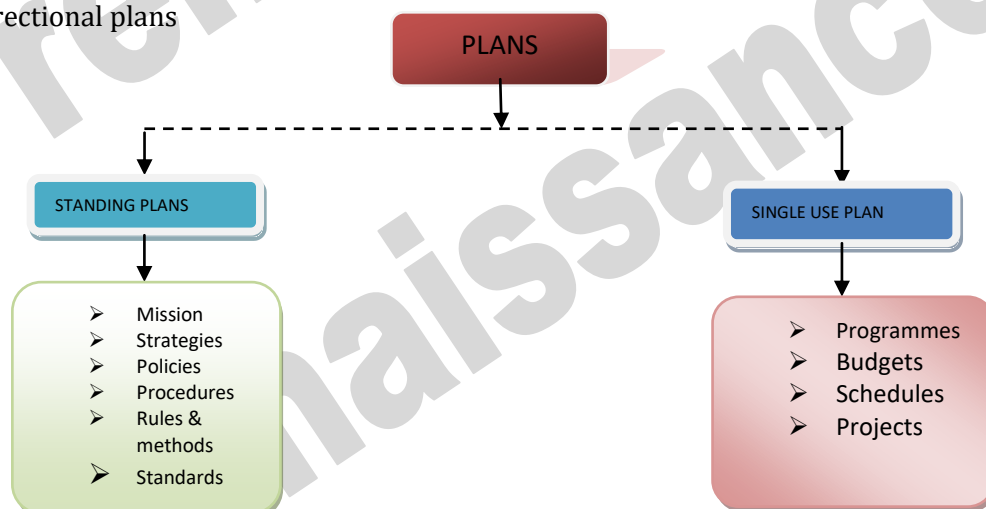
1. Short range plans
2. Medium or Intermediate plans
3. Long range plans

### **On the basis of Organizational Scope**

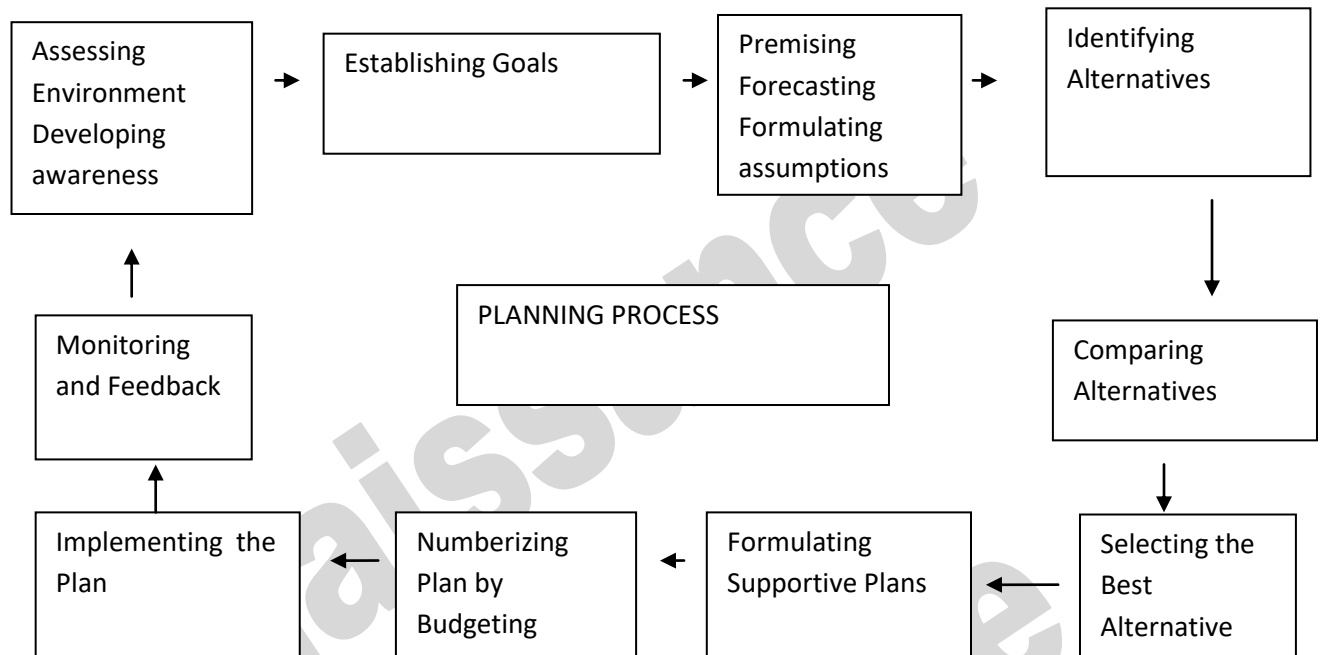
1. Business or divisional level plans
2. Unit or functional level plans

### **On the basis of Specificity**

1. Specific plans
2. Directional plans



**PLANNING PROCESS**



### Limitations of Planning

1. Lack of reliable facts and information
2. Inaccurate premises
3. Rigid philosophy or lack of pragmatism
4. Resistance to change
5. Inflexibility of existing objectives and plans
6. Lack of planning skills
7. Failure to integrate with other functions
8. Attitudes and conflicts among managers
  - a. Conflict on the goals and priorities of planning.
  - b. Conflict on the selection of the courses of action and resources.
  - c. Conflicts on their roles in the implementation of plans.
  - d. Conflict between line and staff managers due to their role in planning.
  - e. Conflict on the issue of usefulness of the planning itself.
9. 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 objective
3. Principle of primacy of planning
4. Principle of efficiency of plans: It means that the amount contribution of plans should exceed the costs involved in their formulation and implementation.
5. 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.
6. Principle of strategy and policy framework
7. 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.
8. Principle of commitment
9. Principle of flexibility
10. 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.
11. Principle of pervasiveness
12. Planning coordination
13. Principle of timing
14. Principle of participation/acceptance
15. Principle of competitive strategies

### **TOOLS AND TECHNIQUES OF PLANNING**

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

1. Forecasting
2. Budgeting
3. Break even analysis

4. Marginal analysis
5. Linear programming
6. Waiting line or Queuing theory



7. PERT/CPM

8. Theory of probability

## DECISION MAKING

1. Decision making 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.
2. Decision making is all pervasive.
3. Decision making is a process but a decision is a particular stage of that process.

## CHARACTERISTICS/NATURE 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/SIGNIFICANCE OF DECISION MAKING

1.	To perform management functions
2.	To ensure success of management process
3.	For evaluating managers
4.	For solving problems

5.	To limit risk
6.	For optimum utilization of resources
7.	To achieve objectives effectively
8.	To face challenges

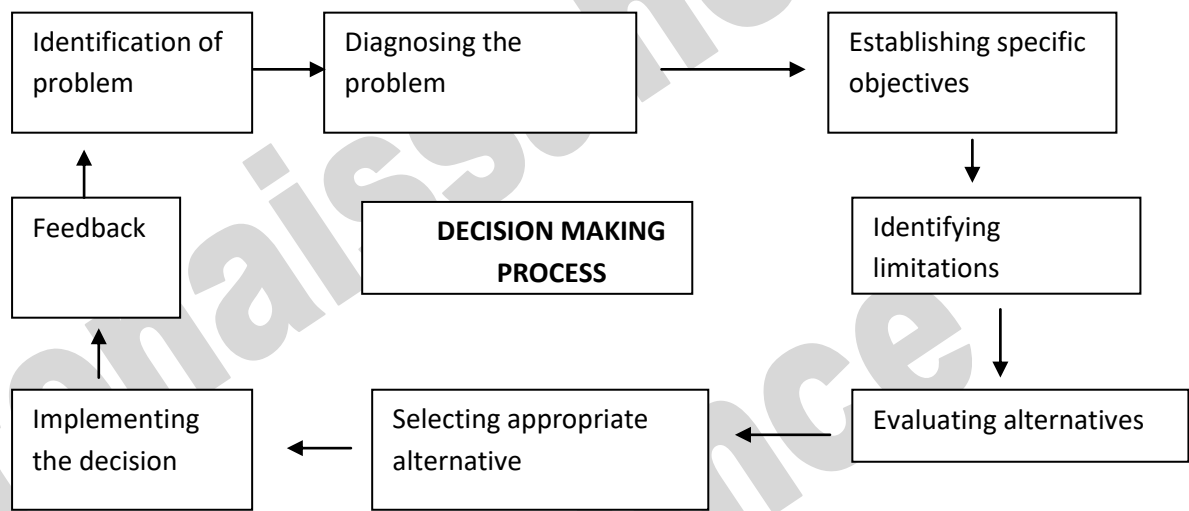
## CLASSIFICATIONS OF DECISIONS

1. Organizational and personal decisions: Organization decisions are those that are taken by a manager in his official capacity.
2. Personal decisions are those that are taken in a manager's personal capacity.
3. Routine decisions are those that relate with the day to day routine operations of the Organization. These are repetitive decisions.
4. Non routine decisions are those that deal with the unusual problems or situations of the Organization.
5. Strategic or policy decisions are those that related with the basic objectives and policy of the Organization whereas decisions are non routine decisions.
6. Tactical or operational decisions are those that are made to implement the strategic decisions.
7. Programmed decisions are those that deal with the routine or day to day recurring problems.





8. Non programmed decisions are those that deal with noval, unusual or exceptional or non recurring problems.
9. Individual group decision: A decision taken by any individual manager is known as the individual decision.
10. Group or collective decisions are those that are taken by small or large group of persons.



### 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.
8. Linear programming
9. Game theory
10. Waiting line or queuing theory
11. Simulation
12. Network techniques
13. Heuristic technique
14. Participative technique

### The techniques of decision making:

1. Experience or judgmental
2. Intuition
3. Habits
4. Standing plans and procedures
5. Organization structure
6. Principles of management
7. Economic and financial techniques



## ORGANIZATION

### INTRODUCTION:-

"Organization may be considered as the vehicle, or the ways and means, to release and channel the intellectual and physical energies of men for the achievement of desired goals or results."

The word organization is generally used in two senses. First as a collective noun which means, an organization is a group of individuals who share authority and accountability relationships and secondly as a verb which mean process of organization. It refers the process of identifying and grouping of activities as signing duties, delegating authority, established relationships among the purpose of accomplishing specific objectives. The terms 'organization' refers to a mechanism which enables men to live together. In a static sense an organization is a structure manned by group of individuals who are working together towards a common goal. In a dynamic sense organization is a process of welding together a frame work of positions which can be used as a Management tool for the most effective pursuit of an enterprise.

### Definition

**Chester I. Barnard:** 'Organization system of co-operative activities of two or more persons'.

**Oliver Sheldon:** 'Organization is the process of combining the work which individuals and groups have to performs with the faculties necessary for its execution that the duties so formed provide the best channels for efficient, systematic, positive and coordinated application of the available effort.'

### Characteristics

- ❖ Group of persons
- ❖ Common objectives
- ❖ Deliberate creation
- ❖ Management, function
- ❖ Continuous process
- ❖ Division of work
- ❖ Cooperative relationships
- ❖ Hierarchy of authority
- ❖ Dependence or environment
- ❖ Dynamic and Flexible

### Importance

- Ensures survival and success of enterprise.
- Facilitates performance of other Managerial functions
- Promotes speciation
- Clarifies authority relationships'
- Ensures flow of activities
- Facilitates communication
- Avoids overlapping and duplication Of work
- Facilitates coordination.
- Ensures sound human relations
- Ensures Optimum use of resources
- Stimulate Creativity
- Facilitates change
- Increase efficiency & effectiveness

### Principles of Objectives

1. Principles of objectives
2. Principle of Division of work & specialization
3. Principle of functional definition
4. Principle of scalar chain
5. Principle of span, of control
6. Principle of Authority & Responsibility
7. Principle of flexibility
8. Principle of communication
9. Principle of continuity
10. Unity of direction
11. Facilitation of leadership



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12. Principle of coordination

13. Unity of command

14. Principle of Balance

15. Principle of human element

**Significance**

1. Facilitates administration
2. Facilitates growth and diversification
3. Provides for optimum use of technological improvement
4. Encourages human use of human beings
5. Stimulates creativity



## Staffing

### INTRODUCTION

In a new enterprise, the staffing function follows the planning and organising function. In the case of an enterprise, staffing is a continuous process. So, the manager performs this function at all times. The staffing function includes recruitment, selection, training, development, transfer, promotion and compensation of personnel.

It is obvious that the management must ensure a constant availability of sufficient number of efficient executives in an enterprise for the efficient functioning of the enterprise. The selected personnel should be physically, mentally and temperamentally fit for the job.

### DEFINITION

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

S. Benjamin has defined staffing as, "The process involved in identifying, assessing, evaluating and directing individuals at work."

According to Theo Hainmann, "Staffing function is concerned with the placement, growth and development of all those members of the organisation whose function is to get things done through the efforts of other individuals."

### ELEMENTS OF STAFFING

While performing the staffing function, the manager has to see that men are fit and jobs are not altered for men. The major elements of staffing are given below:

1. Effective recruitment and selection.
2. Proper classification of personnel and pay fixed for them.
3. Proper placement.
4. Adequate and appropriate training for development.
5. Satisfactory and fair transfer and promotion.
6. Sound relationship between management and workers.
7. Adequate provision for retirement.

### FUNCTIONS OF STAFFING

**1. Manpower planning:** Manpower may be planned for short-term and long-term. The short-term manpower planning may achieve the objectives of the company at present conditions. The long-term manpower planning should be concerned with the estimation of staff members required in future.



**2. Development:** Development is concerned with the development of staff members through adequate and appropriate training programmes. The training is given only to the needy persons.

**3. Fixing the employment standards:** It involves the job specification and job description. These enable the management to select the personnel and train them scientifically. Job description is a systematic and organised written statement of the duties and responsibilities in a specific job. Job specification is a statement of personal qualities that an individual must possess if he is to successfully perform the job.

**4. Sources:** It is concerned with the method by which the staff members are selected. The sources may be internal and external sources. Internal source means that a vacancy filled up by the company out of the staff members available within the company. The external source means that a vacancy is filled up by the company from outside the company. The person selected may be unemployed or working in any other company.

**5. Selection and placement:** It includes the process of selection of the staff members. The placement includes giving a job to a person on the basis of his ability, education,

**6. Training:** The training may be arranged by the company itself. In certain cases the staff members may be sent out by the company to get the training. The expense is borne by the company. The training may be required not only by the new staff members but also by the existing staff members.

**7. Other functions:** The other functions of staffing include co-ordination, promotion transfer, record maintenance regarding employees, rating of employees, motivation, etc.

## PROCESSING OF STAFFING

The selection and placement of personnel involves the following processes. They are briefly discussed below:

**1. Planning:** The term planning of staff members includes estimation of the number of staff members required to the company in various grades. It is based upon the size of the company and the policy followed by the company.

**2. Recruitment and selection:** It deals with the selection of qualified applicants to all the jobs in the organisation. A standard procedure may be followed while selecting the staff members. The procedure may be valid for different types of personnel.

**3. Training of developments:** It is concerned with providing training to new staff members as well as the existing staff members. The working efficiency of the staff members may be developed through the training programmes.





**4. Performance operation:** It deals with assessment of the work performed by the staff members in an organisation. A standard may be fixed in order to evaluate the efficiency of the staff members.

### PROPER STAFFING

Proper staffing means providing adequate qualified staff members for the purpose of effective functioning of office. The chief executive or the general manager undertakes this function. Identifying appropriate staff members is a difficult task. So, some of the staffing functions may be assigned to a separate department in a large concern.

### ADVANTAGES OF PROPER STAFFING

1. It helps in the recruitment of efficient staff members.
2. It helps the proper placement of staff members according to their ability.
3. Proper selection, training and development of staff members, will result in the maximum production in an organisation.
4. Increasing the efficiency of the workers will increase the earning capacity of the workers.

### RECRUITMENT

Recruitment is the process of finding the apt candidates and inducing them to apply for the job in an organisation. The recruitment should be a sound one. If it is not so, the morale of the staff will be very low and the image of the company will be tarnished.

The success of any recruitment depends upon the procedure followed by the company while recruiting the members. Jobs with low salary, uninteresting jobs or difficult jobs cannot be filled up by the company very easily. Every company has to recruit its staff members but the quantum of recruitment may vary from one company to another company. The variation may be due to the size of the company, recruitment policy of the company, nature of the job and the like.

### MEANING

Recruitment means the discovery of the staff members for the present and future jobs in an organisation.

### DEFINITION

According to Dalton E. McFarland, "The term recruitment applies to the process of attracting potential employees of the company".

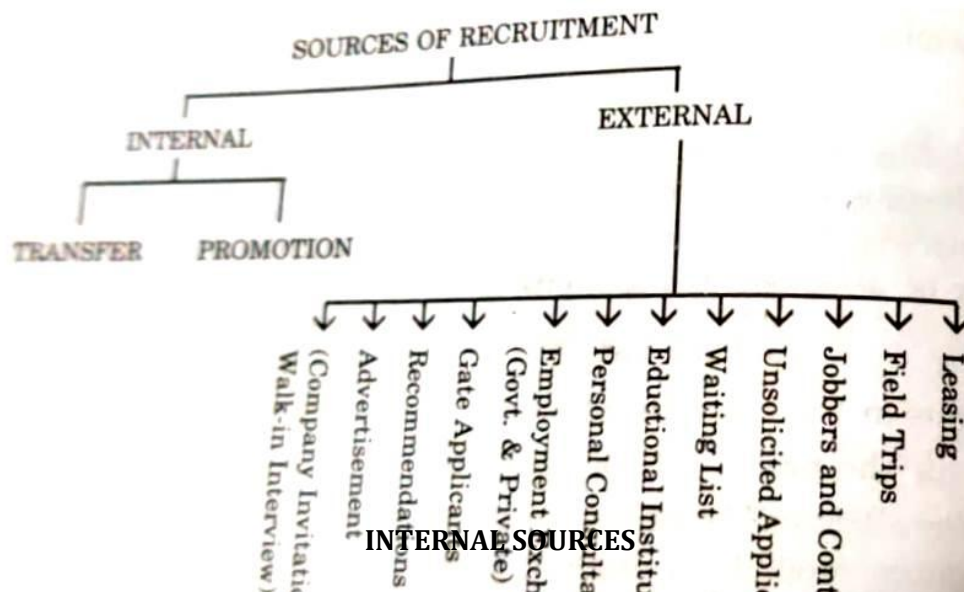
Edwin B. Flippo, "Recruitment is the process of searching for prospective employees and stimulating them to apply for the jobs in the organisation".



## SOURCES OF RECRUITMENT

The source of recruitment is based on the policy followed by the company. The job can be filled up out of the employees of the company or from outside the company. If the job is filled up out of the present employees of the company, it is said to be the internal source of the company.

If the same job is filled up from out of the candidates available in the society, it is said to be the external source. A clear picture of the internal sources and the external sources is given below:



Whenever a job falls vacant, it can be filled up by giving a promotion to the present pe of the company. It is based on the promotion policy followed by the company. In sin cases, a same cadre staff member in deputed to the job by the company. This is called afer. This is also based on the transfer policy followed by the company.

### Advantages

- 1.It increases the morale among the staff members of the company.
2. Giving promotion keeps the employee happy.
3. It attracta efficient staff members.
4. The training expenses may be reduced to some extent.
5. A person who has got a promotion, inspires the staff members to acquire a thorough knowledge of his job.
6. Internal promotion helps the staff members to derive job satisfaction.



7. A promoted staff member may make use of his past experience in the new post.
8. It increases the security of the job of the staff member.
9. A new responsibility can be entrusted safely to the promoted staff members on the basis of the contents of Service Register.
10. It ensures the continuity of job to the staff members and stability of the organisation.
- 11 It induces the staff members to work hard to get promotion.
12. Such expenses as on advertisement, recruitment, test and interview are avoided.

### **DISADVANTAGES**

1. If the higher post is filled internally, the company will not be able to get fresh and original ideas and initiative from the staff members.
- 2 The outsiders do not have a scope to show their ability in the performance of the work
3. An underqualified person may be appointed in the higher post.
4. If the promotion is a guarantee to the internal staff members after the expiry of a specific period, the concerned staff member does not care to work efficiently.

### **EXTERNAL SOURCES**

There are various external sources of recruitment. They are briefly explained below:

**1. Advertisement:** When a company wants to inform the public that it has a vacancy. it puts up an advertisement. The details of the job and the qualification of the candidates are briefly given. The company may receive the applications in response to the advertisement. After that, a interview will be conducted. In certain cases, the walk in interview method may be adopted by the company. In the walk-in-interview method, the applications are received from the candidates. The date and time and place of the interview are mentioned in the advertisement. In this way, a person can be recruited immediately through an advertisement.

**2. Recommendations:** Here, recommendation means appointment of a person on getting a recommendation letter from a person reliable and well-known to the company. In certain cases, an employee of the company may bring the candidates to the company for the purpose of being appointed, when the company does not conduct an interview for selection.

**3. Gate applicants:** The educated unemployed youth may contact the company to get employment. These candidates may not have any recommendations. Even the company might not have issued any advertisement for the post. The candidate personally appre the appointing authority of the company. If such candidate is found fit for any one of the posts which are vacant at that time, the candidate is appointed.

**4. Employment exchange:** The job seekers register their names with th qualifications with the employment exchange. The company can get a list of candidates wh have requisite qualifications to fit in a job. Out of the listed candidates, any one of them be selected. The



employment exchange is of two kinds, i.e., public employment exchange and private employment exchange. The public employment exchange is run by the government. The private employment exchange is run by a private party. The private party can get a commission both from the job seekers and the company. But the public employment exchange does not demand any such commission both from the job seekers and the company.

**5. Personnel consultant:** Private consultant is a separate specified agency doing the function of recruitment of the personnel on behalf of the company. In other words, the functions of personnel department of any company are performed by the personnel consultants. It receives the applications from the candidates, verifies the applications, conducts interviews and selects the candidates. The personnel consultant receives fees from the company for its service.

**6. Educational institutions:** Universities, college and institutions are formed to offer specific courses. The educational institutions make an arrangement for campus interview. The business concerns come to the campus of educational institutions to recruit the students for various posts. The selected students are requested to join the post after completing the course.

**7. Waiting list:** The business concern prepares a waiting list of candidates who have already been interviewed. But, they are not appointed for lack of vacancy. Whenever a vacancy arises, the vacancy may be filled up by the company out of the waiting list.

**8. Unsolicited applicants:** Unsolicited application means the application received through mail from the candidate. The application brings the information regarding the name and address of the candidate, his age, educational qualification, experience, area of interest etc. If there is any vacancy at that time, the candidate will be recruited for the specified post. Normally, this type of application is considered for the posts at the lower level.

**9. Jobbers and contractors:** The casual vacancy may be filled up by the company through the jobbers and contractors. Normally, unskilled candidates are appointed in this way. They are available at short notice and for a small salary. This type of candidate is brought by the jobbers and contractors to the place of work and they receive some wages from the company for this service.

**10. Field trips:** A company may send a group of experts to the towns and the cities where the various kinds of candidates required by the company are available. In this case, a prior advertisement may be issued in newspapers. The advertisement contains information regarding the date, venue and time of the interview. The interview is conducted in different places. This is the procedure followed to recruit the candidates under field trips.

**11. Leasing:** This type of source of recruitment is followed by the public sector organisation. The reason is that the organisation wants to manage the problems particularly at higher level. Before recruiting the staff members, the period of service is fixed by the company and it is conveyed to the staff members.

## MERITS

There are some advantages to the company if the appointment is made through external. These advantages or merits are discussed below.



- 1. Choices:** A company can recruit a person out of a large number of applicants. Each and every candidate's plus points and minus points are taken into consideration for the purpose of recruitment. Then, the best candidate can be selected by the company.
- 2. New outlook:** If a new person is recruited by the company, a new way of approach is drawn to solve the problem, which will give maximum benefits to the company.
- 3. Wide experience:** If the recruited new candidate has experience in various fields, the company can get the benefit of the candidate's experience.

## DEMERITS

The external sources also have some demerits. They are listed below

- 1. Grudging of old employment:** If a candidate is recruited from external sources, the existing staff may have a grudge against him. It results in demoralisation of the staff members.
- 2. Lack of co-operation:** The existing staff members do not extend their co-operation to the person who is selected from out of external sources. In addition to this, the existing staff members make the new recruit face the difficulties and try to disorient him in relation to his work.
- 3. Expensive:** Recruitment of a person from outside the company requires a lot of formalities. The formalities include issuing advertisement, receiving the applications, selecting place, applications, despatching the interview letters, fixation of interview date, time and place, formation of an interview committee etc. Completing all the above said procedures involves a lot of expenditure.
- 4. Trade union:** If the trade union of the company is very strong, it is very difficult to convince the trade union and recruit a person from outside a company.
- 5. Danger of non-adjustment:** If a newly recruited person fails to adjust himself to the working conditions of the company, it leads to more expenditure in looking for his placement. Besides, it causes irritation and quarrel between the recruited person and the existing staff members.

## SELECTION

Selection is the device used in an organisation to select a suitable person who has required educational qualifications, skills, abilities, personality and the like. When an organisation gets more number of applications than needed, the applications in excess are rejected. In other words, a screening test may be conducted through which unsuitable candidates may be rejected. Selection procedure starts with the end of recruitment.

## MEANING

Selection is the process adopted by an organisation to select adequate number of persons who are fit for the job.

## IMPORTANCE OF SELECTION





Selection is a tough task at present. The reason is that the available candidates are more qualified than what is required. They have higher education qualifications and experience. So, more care is needed in the selection of proper personnel:

1. Manager is informed about the complexities of selection and the weakness/limitations of various selection techniques. Managers know the probabilities of error.
2. The high degree of education and employment opportunities have made the labour market a buyer's market. The economic security has made it a seller's market.
3. The inexperienced candidates cannot meet the requirements of today's job. Education is developed in such a way that training is given within the study. A person with adequate and desired experience gets selected for the job.
4. Managers know the techniques used to discover the deficiencies in candidates.
5. Today's public policy has imposed many new restrictions with respect to those who can and should be hired and what kind of selections are acceptable.
6. If the job specifications are not clearly described, it makes the selection process a difficult one.
7. Selection requires high cost but results in a very high rate of return.

### STAGES OF SELECTION PROCEDURE

It may be said that recruitment is a positive function of the management. But selection is a negative function of management. The reason is that eliminating applications is more difficult than selecting them.

Normally, the selection procedure has the following stages: 1. Receiving and screening of applications: Prospective employees are requested

to submit the applications on particular white paper or in a prescribed form. In both the cases, full particulars of the employee should be given. Any omission may disqualify candidate. The information relates to the name of the candidate, age, educational qualification, date of birth, experience, parents' name and occupation, address of communication, etc. The same information is kept as a permanent record in the organisation. If the number of applicants exceeds the actual requirement, the organisation may select more candidates than required.

9. Initial interview: It is otherwise called preliminary interview. The object of conducting this interview is to know whether the applicant is physically and mentally fit for the job. Questions are put to the candidate for evaluation. These questions are related to his qualifications, experience, interest, age, nativity and the like. Only a minimum time is spent for this interview. Candidates who have passed in the initial interview are called for the next selection procedure.

3. Blank Application: A specific format is followed by an organisation for this selection process. The nature of the format varies for each job. The same form is not used for all jobs in an organisation.



The reason is that different qualifications and skills are required for different jobs. Care should be taken to ensure that the candidates provide brief and pointed answers for queries raised in the form. Besides, irrelevant answers should be avoided and all relevant information should be given in the form.

The advantages of a blank application in the selection procedure are explained below. A. Acts as an urgent test device: The applicants have to find precise answers for the queries raised in the form. This test is used to find the quick understanding capacity and problem solving capacity of the candidate.

B Shy candidates: Some candidates may find it difficult to give answers in the face e meeting with the employer. They may give answers through this form Shy candidates and slow candidates may use this process.

C Aid to build trust among applicants: Whenever the applications are issued to applicants for filling up, there is confidence among the applicants as they are for the job in question

D. Basis for final interview: The answers given in the application form are used as basic things to frame questions for the final interview.

### **PRE-REQUISITES OF EFFECTIVE TEST**

The limitations of the test can be avoided if the management takes the following precautions while conducting tests:

(a) Validity: An effective test has validity. The validity of the tests depends upon the of prediction of the job performance successfully. Thus, a test should accurately predict degree o the enteria of job success.

(b) Reliability: Reliability of a test refers to getting the same result from any candidate ested for any number of times. So, it is the duty of the management to bear in mind the reliability of a test.

(c) Norms: The management should fix the norms for selection. Some companies prescribe minimum marks for selection and some companies prescribe cut-off marks for selection. But, these should be pre-determined.

(d) No partiality: Management should ensure that tests have validity. Proper weightage should be given to the scores obtained in tests and personal biases should be avoided

(e) Specialisation: Test administration, scoring and interpretation require technical competence and training in testing. These should be handled by properly trained and competent persons. If not, results may be horrible.

(f) Supplementary: A candidate cannot be selected or rejected on the basis of performance in the test. The test should be considered as a supplementary in the selection process. The final selection of any candidate should be based on the information given in the application, performance in the interview, if any conducted, in addition to the test performance.



5. Checking References: Sometimes, the applicants are requested to furnish references. References are the norm in society. Applicants may include the name and address of parent educational institutions and the present employer. The information furnished in the applications are checked from these persons. If the referee is a present employer, the applicant's job performance, salary drawn particulars, reasons for leaving the job, etc., are checked.

## KINDS OF INTERVIEW

There are a number of kinds of interviews conducted by the management. Some of the interview: Under are briefly explained below:

**(a) Direct interview :** under this type of interview, straight-away questions are put interviews are briefly explained below: before the applicant to get answers for them. Face to face conversation is the trend towards the interview The in-depth knowledge of applicant is not observed under this type of interview. But, the skills, character, area of interest and attitudes of the applicant can be identified to some extent.

**(b) Indirect interview:** Questions are not raised directly by the interviewer before identified to some extent. he likes. The interviewer carefully listens to what the applicant expresses. The interviewer does not interpret the applicant's views. The applicant has full freedom of expression. The personality of the applicant is easily assessed by the management.

**(c) Patterned interview:** A number of standard questions are framed well in advance which are to be put before the applicant. The answers for these questions are found while framing the questions and answers are written near the questions. These are used for a verification purpose when answers are given by the applicant during the interview. This is the procedure adopted under this type of interview to evaluate the suitability of the applicant

**(d) Stress interview:** Irritating questions are put before the applicant by the interviewee. The particular applicant is requested to express his views on any topics as interviewer. If any applicant gets angry when these types of questions are put to him, the particular applicant is evaluated as unfit for the job.

**(e) Systematic in-depth interview:** Under this type of interview, the interviewer asks any one of the questions initially. Then, he proceeds step-by-step to get an integrated view of the skills and personality of the applicants.

**(f) Board or panel interview:** A group of persons called interviewers ask the applicant questions in the area of interest of the applicants. Immediately after the interview, they evaluate the performance of an applicant based on the answers given by the applicant.

**(g) Group interview:** It may be otherwise called group discussion or house party hique. A number of applicants are interviewed simultaneously. A common topic is ted before the group. One group consists of six to eight members. Each applicant is a number. They may call other members of the



group by calling the concerned person's number. They are restricted to use their names. The applicants are selected or rejected on the basis of performance in group discussion.

### PRINCIPLES OF INTERVIEW

The interview technique should be an effective one. The following principles are adopted by the management in order to make an interview effective:

1. The management should define the specific objectives of an interview.
2. Next, the management has to prepare the procedure followed to achieve the specified objectives.
3. The interviewers should ask the questions which are related to the job to be filled.
4. The interviewer must create a rapport with the interviewee before starting the interview.
5. The interviewees are requested to express their opinions or views freely without any hesitation.
6. The tension or nervousness of the applicants is removed by the interviewer.
7. The interviewer should listen to the answers given by the applicants carefully.
8. The evaluation of the performance of the applicant is done immediately after the interview is over.
9. The interviewer may say 'thanks' to the applicants while closing the interview. This carries much better impression about the interview and interviewer.

### PROCESS OF INTERVIEW

The following procedure may be adopted for an interview:

- (a) Review of background information: The interviewer has to collect the information regarding the applicant's bio-data and the job for which he has applied. This step is known as review of background information.
- (b) Preparation of questions: The interviewer has to prepare the questions in the area in which the applicant is interested. The question is presented by the interviewer in understandable way. The answers are received from the applicant one by one. The next question is raised only after getting a full answer to the first question. The sub-questions may be raised by the interviewer during the interview, if the need arises.
- (c) Putting the applicant at ease: There is a mental and emotional strain to the applicants. These may be removed by the interviewer. These are possible through proper understanding of applicants and sympathy with the applicants by the interviewer during the interview.

Outsiders except interviewers and applicants are not allowed to be present in the interview room. All the necessary facilities and comforts are arranged by the management in order to put the applicant at ease. Some mannerisms like causing interruptions through raising number of sub-questions unnecessarily or raising eye-brows or any odd behaviour the frequently are avoided by the interviewer.

**d) Drawing out the best applicants** Some set of questions are not asked in so performance. The interviewer has to follow acceptable norms to select an applicant for appointment. But, the norms should be correct and they should provide a basis to select



**(e) Concluding the interview:** The applicant leaves the room after the interview over. The interviewer immediately assesses the applicant's performance in the interview. So, it is a very difficult task to draw the best applicant out of the interview. Some interviewers take notes during the interview. These notes may be used to applicant. The next applicant is called for an interview after the process is over.

**7. Final selection:** Finally, a suitable applicant is selected on the basis of performance in the above mentioned test and interview. Only the required number of applicants are selected by the management. The competent authority has to approve the selection of the applicants.

In the case of big organisations, a separate department known as personnel department is in charge of selection. The personnel department manager selects the applicant and approves it. The appointment order will be sent to the applicant without delay. Normally, the applicants are selected provisionally.

**8. Medical examination:** It is otherwise called physical examination. This is carried out for the purpose of assessing physical fitness of the prospective employee. Many organisations do not follow the process of medical examination. The reason is that there is no need for medical examination in certain jobs. Medical certificate is received from the doctor after the medical examination is over. This certificate is attached to the joining report of the new employee. Some applicants may be educationally qualified for the job but physically unfit for the job. For certain jobs, minimum physical fitness is required according to the nature of the job.

**9. Placement:** The applicants are placed on a probation basis only after completing all the formalities. The probation period may vary from one job to another job according to the nature of the job. The maximum probation period for any job is two years. It may be extended to three years in extraordinary circumstances. The new employees are observed keenly over the probation period. These new employees are regularised on the completion of the probation period successfully.

**10. Orientation:** Orientation refers to providing the information regarding the organisation briefly to new employees. The term information includes co-workers of employees, superior, subordinates, location of work place, duties, authorities, responsibilities and the overall administration of the organisation.

The orientation programme is carried out through lectures or films. The new employees are taken round the offices and plant and they are introduced to the existing employees. Printed literature may also be used in the orientation programme. The orientation programme helps the new employee to acquire a knowledge of the organisation function without any delay. It facilitates the effective performance of a job by the new employee.

1. **Meaning Promotion** may be defined as the placement of an employee to a better job which results in extending prestige, salary, powers, duties, responsibilities and it requires more knowledge and skills to perform the job.