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DIRECTORATE OF DISTANCE & CONTINUING EDUCATION

TIRUNELVELI-627012, TAMILNADU

B.B.A - I SEMESTER

PRINCIPLES OF MANAGEMENT

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BBA - I Semester

PRINCIPLES OF MANAGEMENT

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Reference Books:

1. Principles of Management- T.Ramasamy.
2. Principles and Practices of Management- L.M. Prasad.
3. Essentials of Management – KOONTZ AND O‟DONNEL
4. Principles of Management – SHERLEKAR S. A.

5. Business Management – DINKAR PAGARE

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UNIT–I

Introduction to Management: Definition of Management – Managerial Roles and Skills- Science or Art – Manager Vs Administrator – Evolution of Management – Scientific, Human Relations, System and Contingency Approaches (Contributions of F.W Taylor, Henry Fayol, Elton Mayo, Gilbreth and McGregor) - Levels and Functions of Management.

MANAGEMENT

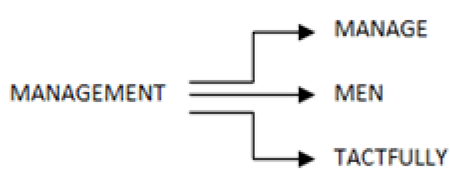
Management is "the art of getting things done by a group of people with the effective utilization of available resources".

Management is a set of principles relating to the functions of planning, organizing, directing and controlling, and the application of these principles in harnessing physical, financial, human, and informational resources efficiently and effectively to achieve organizational goals.

Father of Management

Peter .F. Drucker (Peter Ferdinand Drucker)

Management = Manage + Men + T



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

Definition of Management

Many management thinkers have defined management in their own ways. For example, Van Fleet and Peterson define management, 'as a set of activities directed at the efficient and effective utilization of resources in the pursuit of one or more goals.'

Megginson, Mosley, and Pietri define management as ‘working with human, financial and physical resources to achieve organizational objectives by performing the planning, organizing, leading and controlling functions‘.

According to Kreitner’s, ‘Management is a problem-solving process of effectively achieving organizational objectives through the efficient use of scarce resources in a changing environment.’

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 ‘.

According to Harold Koontz, ‘Management is an art of getting things done through and with the people in formally organized groups. It is an art of creating an environment in which people can perform and individuals and can co-operate towards attainment of group goals.‘

Characteristics of Management

1. Goal oriented Process: It is a goal oriented process, which is to achieve already specified and desired objectives by proper utilization of available resources.

2. Pervasive: Management is universal in nature. It is used in all types of organizations whether economic, social or political irrespective of its size, nature and location and at each and every level.

3. Multidimensional: It is multidimensional as it involves management of work, people and operations.

4. Continuous: It consists of a series of function and its functions are being performed by all managers simultaneously. The process of management continues till an organization exists for attaining its objectives.

5. Group Activity: It is a group activity since it involves managing and coordinating activities of different people as a team to attain the desired objectives of the organization.

6. Dynamic function: It is a dynamic function since it has to adapt according to need, time and situation of the changing business environment. For example, McDonalds made major changes in its 'Menu' to survive in the Indian market.

7. Intangible Force: It is intangible force as it can't be seen but its effects can be felt in the form of results like whether the objectives are met and whether people are motivated or not and there is orderliness and coordination in the work environment.

Objectives of Management

(1) Organizational objectives:

Organizational Objectives can be divided into Survival (Earning enough revenues to cover cost); Profit (To cover cost and risk); and Growth (To improve its future prospects).

(A) Survival – Management by taking positive decisions with regard to different business activities ensures survival of business for long term.

(B) Profit – It plays an important role in facing business risks and successful running of business activities.

(C) Growth – Management must ensure growth which can be measured by increase in sales, number of employees, number of products, additional investment, etc.

(2) Social Objectives:

Social objectives is to provide some benefits to society like applying environmental friendly practices in the production process and giving employment to disadvantaged sections of society, etc. Example: TISCO, ITC, and Asian Paints.

(3) Personal Objectives:

Personal Objectives is to focus on diverse personal objectives of people working in the organization which need to be reconciled with organizational objectives.

Importance of Management

(1) Achieving Group Goals: Management creates team work and coordination in the group. Managers give common direction to individual efforts in achieving the overall goals of the organization.

(2) Increases Efficiency: Management increases efficiency by using resources in the best possible manner to reduce cost and increase productivity.

(3) Creates Dynamic organization: Management helps the employees overcome their resistance to change and adapt as per changing situation to ensure its survival and growth.

(4) Achieving personal objectives: Management helps the individuals achieve their personal goals while working towards organizational objectives.

(5) Development of Society: Management helps in the development of society by producing good quality products, creating employment opportunities and adopting new technologies.

Management as an Art

Art refers to skillful and personal application of existing knowledge to achieve desired results. It can be acquired through study, observation and experience. The features of art as follows:

(1) Existence of theoretical knowledge: In every art, Systematic and organized study material should be available compulsorily to acquire theoretical knowledge.

(2) Personalized application: The use of basic knowledge differs from person to person and thus, art is a very personalized concept.

(3) Based on practice and creativity: Art involves in consistent and creative practice of existing theoretical knowledge.

In management also a huge volume of literature and books are available on different aspects of management. Every manager has his own unique style of managing things and people. He uses his creativity in applying management techniques and his skills improve with regular application. Since all the features of art are present in management. so it can called an art.

Management as a Science

Science is a systematized body of knowledge that is based on general truths which can be tested anywhere, anytime. The features of Science are as follows:

(1) Systematized body of knowledge: Science has a systematized body of knowledge based on principles and experiments.

(2) Principles based on experiments and observation: Scientific principles are developed through experiments and observation.

(3) Universal validity: Scientific principles have universal validity and application.

Management has systematic body of knowledge and its principles are developed over a period of time based on repeated experiments & observations which are universally applicable but they have to be modified according to given situation.

As the principles of management are not as exact as the principles of pure science, so it may be called-an inexact science? The prominence of human factor in the management makes it a Social Science.

Management as Profession

Profession means an occupation for which specialized knowledge and skills are required and entry is restricted. The main features of profession are as follows:

(1) Well-defined body of Knowledge: All the professions are based on well defined body of knowledge.

(2) Restricted Entry: The entry in every profession is restricted through examination or through some minimum educational qualification.

(3) Professional Associations: All professions are affiliated to a professional association which regulates entry and frames code of conduct relating to the profession.

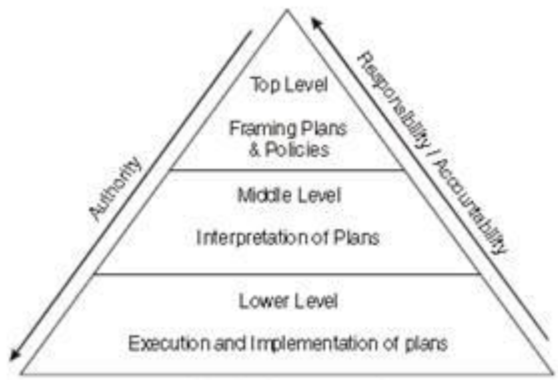
(4) Ethical Code of Conduct: All professions are bound by a code of conduct which guides the behavior of its members.

(5) Service Motive: The main aim of a profession is to serve its clients.

Management does not fulfill all the features of a profession and thus it is not a full-fledged profession like doctor, lawyer, etc., but very soon it will be recognized as full-fledged profession.

Levels of Management: Top, Middle and Operational Levels

"Levels of management" means different categories of managers, the lowest to the highest on the basis of their relative responsibilities, authority and status.



Levels of management

Top Level

Consists of Chairperson, Chief Executive Officer, Chief Operating Officer or equivalent and their team.

Chief task is to integrate and to coordinate the various activities of the business, framing policies, formulating organizational goals & strategies.

Middle Level

Consists of Divisional or Departmental heads, Plant Superintendents and Operation Managers etc.

Main tasks are to interpret the policies of the top management to ensure the availability of resources to implement policies, to coordinate all activities, ensure availability of necessary personnel & assign duties and responsibilities to them.

Lower Level/Supervisory Level

Consists of Foremen and supervisor etc. Main task is to ensure actual implementation of the policies as per directions, bring workers' grievances before the management & maintain discipline among the workers.

Functions of Management

- **Planning:** Thinking in advance what to do, when to do, and who is going to do it. It bridges the gap between where we are and where we want to reach.
- **Organising:** organization means deciding the framework of working how many units and sub-units are needed, how many posts are needed, how to distribute the authority and responsibilities.
- **Staffing:** It refers to recruitment, selection, training, development and appointment of the employees.
- **Directing:** It refers to guiding, instructing, inspiring and motivating the employees.
- **Controlling** are the main functions of management. Controlling is monitoring the organizational performance towards the attainment of the organizational goals.

Coordination (The Essence of Management):

Coordination is the force which synchronizes all the functions of management and activities of different departments. Lack of coordination results in overlapping, duplication, delays and chaos. It is concerned with all the three levels of management as if all the levels of management are looked at together, they become a group and as in the case of every group, they also require coordination among themselves. So, it is not a separate function of management, rather it is the essence of management.

l. Coordination integrates group efforts:

It integrates diverse business activities into purposeful group activity ensuring that all people work in one direction to achieve organizational goals.

2. Coordination ensures unity of action:

It directs the activities of different departments and employees towards achievement of common goals and brings unity in individual efforts.

3. **Coordination is a continuous process:**

It is not a specific activity matter it is required at all levels, in all departments till the organization continues its operations.

4. Coordination is all pervasive function:

It is universal in nature. It synchronizes the activities of all levels and departments as they are interdependent to maintain organizational balance.

5. Coordination is the responsibility of all managers:

It is equally important at all the three-top, middle and lower levels of management. Thus it is the responsibility of all managers that they make efforts to establish coordination.

6. Coordination is a deliberate function:

Coordination is never established by itself rather it is a conscious effort on the part of every manager. Cooperation is voluntary effort of employees to help one another. Effective coordination cannot be achieved without cooperation of group members.

Henri Fayol 14 Principles of Management:

The fourteen principles of management created by Henri Fayol are explained below.

1. Division of Work-

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

2. Authority and Responsibility-

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

3. Discipline-

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

4. Unity of Command-

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

5. Unity of Direction-

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

6. Subordination of Individual Interest-

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

7. Remuneration-

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

8. Centralization-

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

9. Scalar Chain-

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

10. Order-

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

11. Equity-

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

12. Stability-

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

13. Initiative-

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

14. Esprit de Corps-

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

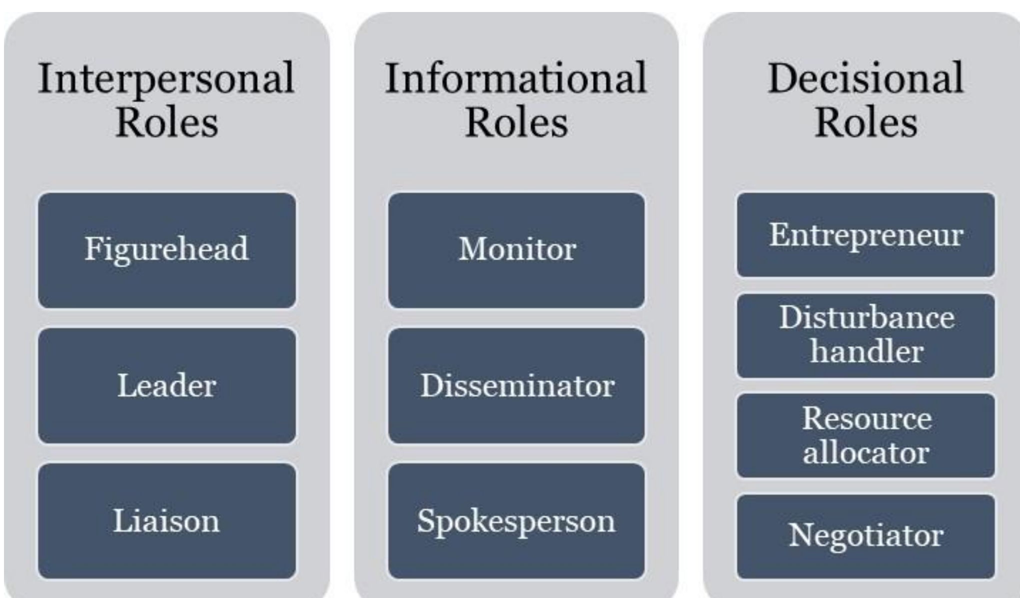
This 14 principles of management are used to manage an organization and are beneficial for prediction, planning, decision-making, organization and process management, control and coordination.

MANAGER:

Within a company, the manager is the person in charge of putting into practice policies and objectives decided by the owners or by the executive board. The manager often works in direct contact with the employees and has the responsibility of ensuring the smooth delivery of all operational activities. In most cases, the manager is a hired employee and his/her authority varies according to the structure of the company and to his/her experience and competencies. Finally, depending on the size and structure of a company, there can be more than one manager within one organizations: manager are responsible for all operational activities within their assigned department/branch.

MANAGERIAL ROLES:

For better understanding, Mintzberg categorized all activities into ten managerial roles performed over the course of a day. These are as follows:



Interpersonal Roles

- **Figurehead** – includes symbolic duties which are legal or social in nature.
- **Leader** – includes all aspects of being a good leader. This involves building a team, coaching the members, motivating them, and developing strong relationships.
- **Liaison** – includes developing and maintaining a network outside the office for information and assistance.

Informational Roles

- **Monitor** – includes seeking information regarding the issues that are affecting the organization. Also, this includes internal as well as external information.
- **Disseminator** – On receiving any important information from internal or external sources, the same needs to be disseminated or transmitted within the organization.
- **Spokesperson** – includes representing the organization and providing information about the organization to outsiders.

Decisional Roles

- **Entrepreneur** – involves all aspects associated with acting as an initiator, designer, and also an encourager of innovation and change.
- **Disturbance handler** – taking corrective action when the organization faces unexpected difficulties which are important in nature.
- **Resource Allocator** – being responsible for the optimum allocation of resources like time, equipment, funds, and also human resources, etc.
- **Negotiator –** includes representing the organization in negotiations which affect the manager's scope of responsibility.

SKILLS OF AN EFFECTIVE MANAGER

A manager is one of the most important cogs in the machine that is a business. He is the one that provides direction and guides the employees and manages the functioning of departments as well. It helps the employees and the organization as a whole in achieving their goals.

Any manager, to be effective in his job and duties must possess certain skills. Let us take a look at some such important skills and talents every effective manager must have.

Organizational Skills

Also known as managerial skills, this is one of the most important skills of an effective manager. These skills will help the manager adequately and expertly allot resources to get the desired results.

If a manager lacks these skills then the company will not be successful in spite of adequate capital, efficient employees, and other such factors. The manager must be capable of organizing them to utilize them fully.

Technical Skills

A manager must himself have the technical skills the job requires. Technical skills involve the knowledge about processes, equipment, techniques etc. and also the ability to carry them out. Technical skills are generally about certain specific task or job. For example, a pilot has the technical skill of flying a plane, a heart surgeon has the technical skills for operating etc. Other such skills are coding, drafting legal documents, civil engineering, financial accounting etc.

So a manager should possess the required technical skills in his field. For example a manager of the IT team must himself possess the necessary computer and coding skills, otherwise, he cannot be an effective manager.

Human Skills

Another important skill of an effective manager is his human skills. This will include his ability to work, motivate, communicate, direct and understand people.

This includes individuals as well as groups and teams working in an organization. So essentially the manager must be able to handle and successfully interact with his team members to get them to perform their best.

One way to gauge a person's human skills is to understand how the person is perceived by his subordinates, co-workers and his juniors. An effective manager has good 'people skills' and so is able to manage his relations with all these people. He is also credited with the growth and development for all his team members.

Conceptual Skills

The conceptual skills of a manager involve understanding and visualizing the company as a whole. These means the manager is able to see and understand all the working parts of an organization and understand how these pieces fall together.

So conceptual skills allow the manager to solve the problems he is faced with more creatively and effectively. It helps him understand complex situations and relations and hence solve any problems that arise. It helps the manager have a competitive advantage over his counterparts.

ADMINISTRATOR:

The administrator is generally part of the legal and administrative branches of a company. In other words, the administrator is responsible for determining the main policies and goals of the organization/business – which will later be implemented by the manager. The administrator takes care of logistics and has to make sure that the company's policies are in line with international and national laws and regulations. In general, the administrator does not intervene in the concrete implementation of strategies and policies, but may liaise with the manager to verify progresses and to evaluate performances.

MANAGER VS ADMINISTRATOR

The duties of managers and administrator can vary according to the structure and hierarchy of a given company. Furthermore, in small or family-run businesses, their roles often overlap. Yet, building on the differences outlined in the previous section, we can identify other key aspects that clearly differentiate the tasks and roles of managers and administrators within a company.

Difference between Administrator & Manager

Basis of difference	Administrator	Manager
Definition	Administrator is the person who is responsible for forming the strategic vision of the organization (top-level of hierarchy).	Manager is the person who is responsible for translating the administration's vision into operating plans and acting in the middle and first-line levels of hierarchy
Activities	To formulate organizational structure.	To direct, supervise personnel working in the formulated organizational structure.
Events	Inside and outside the organization and how it affect work.	Inside the unit (s)
Plan	long term plans	short term plans
Authority	To formulate organizational structure.	To direct, supervise personnel working in the formulated organizational structure.
Define	mission, philosophy, goals, and policies governing the organization	goals and objectives governing the unit/department

EVOLUTION OF MANAGEMENT THOUGHT

The different approaches of management are

a) Classical approach

b) Behavioral approach,

c) Quantitative approach,

d) Systems approach,

e) Contingency approach.

a) THE CLASSICAL APPROACH:

(i) Scientific Management.

Frederick Winslow Taylor is known as the father of scientific management. Scientific management (also called Taylorism or the Taylor system) is a theory of management that analyzes and synthesizes workflows, with the objective of improving labor productivity.

(ii) Administrative Management.

Administrative management focuses on the management process and principles of management. Henri Fayol is the major contributor to this approach of management thought.

(iii) Bureaucratic Management.

Bureaucratic management focuses on the ideal form of organization. Max Weber was the major contributor to bureaucratic management.

b) THE BEHAVIORAL APPROACH:

(i) Human Relations.

The Hawthorne Experiments began in 1924 and continued through the early 1930s. A variety of researchers participated in the studies, including Elton Mayo. One of the major conclusions of the Hawthorne studies was that workers' attitudes are associated with productivity.

(ii) **Behavioral Science.**

Behavioral science and the study of organizational behavior emerged in the 1950s and 1960s. The behavioral science approach was a natural progression of the human relations movement. The behavioral science approach has contributed to the study of management through its focus on personality, attitudes, values, motivation, group behavior, leadership, communication, and conflict, among other issues.

c) THE QUANTITATIVE APPROACH:

(i) **Management Science (Operations Research)**

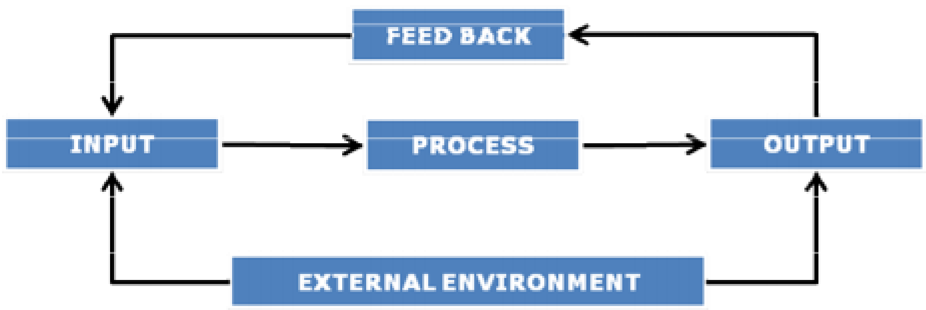
Management science (also called operations research) uses mathematical and statistical approaches to solve management problems.

(ii) Production and Operations Management.

This approach focuses on the operation and control of the production process that transforms resources into finished goods and services

d) SYSTEMS APPROACH:

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



e) CONTINGENCY APPROACH:

The contingency approach focuses on applying management principles and processes as dictated by the unique characteristics of each situation

MANAGEMENT APPROACHS	Beginning Dates	Emphasis
CLASSICAL APPROACH		
Scientific Management	1880s	Traditional rules of thumb are replaced by precise procedures developed after careful study of an individual at work.
Administrative Management	1940s	Gives idea about the primary functions of management and The 14 Principles of Administration
Bureaucratic Management	1920s	Replaces traditional leadership and charismatic leadership with legal leadership
BEHAVIORAL APPROACH		
Human Relations	1930s	workers' attitudes are associated with productivity
Behavioral Science	1950s	Gives idea to understand human behavior in the organization

QUANTITATIVE APPROACH		
Management Science (Operation	1940s	Uses mathematical and statistical approaches to solve management problems
Production and Operations Management	1940s	This approach focuses on the operation and control of the production process that transforms resources into finished goods and services
RECENT DEVELOPEMENTS		
SYSTEMS APPROACH	1950s	Considers the organization as a system that transforms inputs into outputs while in constant interaction with its' environment.
CONTINGENCY APPROACH	1960s	Applies management principles and processes as dictated by the unique characteristics of each situation.

CONTRIBUTIONS OF F.W TAYLOR

Taylor defined management as, "the art of knowing exactly what you want men tie do and seeing that they do it in the best and cheapest way." The objective of management should be to secure the maximum prosperity for both the employer and the employees. Taylor stated that best management was a true science based upon certain clearly defined principles. He exhorted both managers and workers to substitute scientific investigation and knowledge in place of individual involvement and experience in all matters relating to the work alone in and organization. Taylor's theory came to be called' scientific management'. His ideas are available in his book.' Principles of scientific management' published in 1911.

Taylor's principles of scientific management are as follows;

Development of a true science for each element of a man's job to replace the old rule of thumb method.

- Scientific selection, training and development of workers for every job
- An almost equal division of work and responsibility between management and workmen, management entrusted with the planning of work and workmen to look after execution of plans.
- Close co-operation between management and workers to ensure that work is done in accordance with the principles of the science, which has been developed.

◦ Maximum output in place of restricted output.

Techniques of scientific Management

Taylor developed several techniques these techniques provide the mechanism for implementing his principles. Some of these techniques are given below:

1. **Separation of planning and doing:**

◦ Taylor suggests the separation of planning and doing.
◦ Taylor says that supervisor should be done the planning.
◦ The workers only concentrate on doing the work.

2. Functional foremanship:

◦ Taylor developed a theory called functional foremanship based on specialization of function.
◦ In this system eight foreman were involved to direct and control the activities of the workers.

3. **Job analysis:**

◦ Time Study: Time Study or work measurement is designed to establish the standard time required to carry out a job under specified conditions. It involves analysis of a job into its constituent elements and recording the time taken in performing each element. Taylor suggested the use of time study to lay down "a fair day's work "so as to avoid guesswork and certainty in the effort and productivity expected of each worker.
◦ Motion Study: It is a systematic and critical study of the movements of both the worker and the machine so as to identify and eliminate unnecessary and wasteful movements. Motion study helps to develop the best way of doing a Job.
◦ Fatigue study: Employees are both physical as well as mental fatigue easily.
◦ Fatigue study indicates the amount and frequency of rest required in completing the job. Taylor suggests a fair day's work requiring certain movements and rest periods to complete it.

4. Standardization:

Under scientific management, predetermined standards are laid down regarding the task, materials, methods, time, quality and cost and working conditions. Standardization helps to simply work, to ensure interchangeability of parts, to ensure uniformity of operations and to facilitate comparisons of efficiency.

5. **Scientific selection and training:**

- Taylor suggested that workers should be selected on scientifically.
- A worker should be physically and technically most suitable.

CONTRIBUTION OF ELTON MAYO IN MANAGEMENT

Some of the major contribution of mayo in developing management thought are as follows:

- Human Relations Approach
- Non-Economic Awards
- Social Man
- Organisation as a Social System.

Mayo was the first person to plead for the understanding of workers' problems the context of growth of science and technology.

He wished the management to understand the problems of workers and make efforts to redress them.

His main contributions are discussed as follows:

1. Human Relations Approach:

Mayo is rightly called the father of human relations movement. His ideas were a milestone and a turning point in human relations approach of the management. He recognised the importance of human beings in management. He said that human beings are complex and influential input into organisational performance. The social and psychological needs of human beings cannot be ignored, if management wants to enhance productivity.

2. Non-Economic Awards:

The earlier assumption was that workers will work more if they are offered more monetary incentives. Taylor was the main proponent of this approach. Elton Mayo said that the techniques of economic incentives were not only inadequate but also unrealistic.

He was able to show that humane and respectful treatment, sense of participation and belonging, recognition, morale, human pride and social interaction are sometimes more important than pure monetary rewards.

3. Social Man:

Mayo developed a concept of 'social man'. He said that man is basically motivated by social needs and obtains his sense of identity through relationships with others. He is more responsive to the social forces of the informal group rather than managerial incentives and controls. He also related productivity to a social phenomenon.

4. Organisation as a Social System:

Mayo was of the view that informal relationships in the organisation are more effective than formal relationships. People form informal groups to give a bent to their feelings and seek guidance for action from such groups.

In Mayo's words, "An organisation is a social system, a system of cliques, grapevines, informal status systems, rituals and a minute of logical, non-logical and illogical behaviour." He was of the opinion that managers should maintain an equilibrium between the logic of efficiency' demanded by the formal organisation. He thought that besides logic and facts people are also guided by sentiments and feelings.

CONTRIBUTION OF GILBRETH IN MANAGEMENT

Frank and Lillian Gilbreth were a husband-and-wife team who worked as engineers in the early part of the 20th century. Lillian carried on this work after the death of Frank in 1924. Their main focus was on the fields of motion study and time study, combined with an interest on the psychology of efficiency and work.

The Gilbreth theory held that there was a "one best way" to do any task. Efficiency, according to the Gilbreth business management theory, could therefore be improved by finding this "one best way" and replicating it throughout the manufacturing process. The Gilbreths used new technologies such as film to break motions down into incremental parts, which they called "therbligs." By reducing the number of "therbligs" for any task, one could increase the efficiency of the worker.

The management theory of Frank and Lillian Gilbreth can be summed up by the following:

1. Reduce the number of motions in a task to increase efficiency.
2. Focus on the incremental study of motions and time to understand an entire task.
3. The goal of increased efficiency is both increased profit and greater worker satisfaction.

CONTRIBUTION OF MCGREGOR IN MANAGEMENT

Social psychologist McGregor’s Theory-X and Theory-Y of MIT expounded two contrasting theories on human motivation and management in the 1960s: The X Theory and the Y Theory.

McGregor promoted Theory Y as the basis of good management practice, pioneering the argument that workers are not merely cogs in the company machinery, as Theory X-Type organizations seemed to believe.

The theories look at how a manager's perceptions of what motivates his or her team members affects the way he or she behaves. By understanding how your assumptions about employees’ motivation can influence your management style, you can adapt your approach appropriately, and so manage people more effectively. Understanding the Theory X & Y Your management style is strongly influenced by your beliefs and assumptions about what motivates members of your team: If you believe that team members dislike work, you will tend towards an authoritarian style of management; On the other hand, if you assume that employees take pride in doing a good job, you will tend to adopt a more participative style. Theory X Theory X assumes that employees are naturally unmotivated and dislike working, and this encourages an authoritarian style of management.

According to this view, management must actively intervene to get things done. This style of management assumes that workers:

◦ Dislike working.
◦ Avoid responsibility and need to be directed.
◦ Have to be controlled, forced, and threatened to deliver what's needed.
◦ Need to be supervised at every step, with controls put in place.

- Need to be enticed to produce results; otherwise they have no ambition or incentive to work.

X-Type

Organizations tend to be top heavy, with managers and supervisors required at every step to control workers. There is little delegation of authority and control remains firmly centralized.

McGregor recognized that X-Type workers are in fact usually the minority, and yet in mass organizations, such as large scale production environment, X Theory management may be required and can be unavoidable.

Theory Y

Theory Y expounds a participative style of management that is de-centralized. It assumes that employees are happy to work, are self-motivated and creative, and enjoy working with greater responsibility. It assumes that workers:

- Take responsibility and are motivated to fulfill the goals they are given.
- Seek and accept responsibility and do not need much direction.
- Consider work as a natural part of life and solve work problems imaginatively

This more participative management style tends to be more widely applicable. In Y-Type organizations, people at lower levels of the organization are involved in decision making and have more responsibility.

Comparing Theory X and Theory Y Motivation

Theory X assumes that people dislike work; they want to avoid it and do not want to take responsibility. Theory Y assumes that people are self-motivated, and thrive on responsibility.

Management Style and Control

In a Theory X organization, management is authoritarian, and centralized control is retained, whilst in Theory Y, the management style is participative: Management involves employees in decision making, but retains power to implement decisions.

Work Organization

Theory X employees tend to have specialized and often repetitive work. In Theory Y, the work tends to be organized around wider areas of skill or knowledge; Employees are also encouraged to develop expertise and make suggestions and improvements.

Rewards and Appraisals

Theory X organizations work on a 'carrot and stick' basis, and performance appraisal is part of the overall mechanisms of control and remuneration. In Theory Y organizations, appraisal is also regular and important, but is usually a separate mechanism from organizational controls. Theory Y organizations also give employees frequent opportunities for promotion.

Application

Although Theory X management style is widely accepted as inferior to others, it has its place in large scale production operation and unskilled production-line work. Many of the principles of Theory Y are widely adopted by types of organization that value and encourage participation. Theory Y-style management is suited to knowledge work and professional services. Professional service organizations naturally evolve Theory Y-type practices by the nature of their work; even highly structure knowledge work, such as call center operations, can benefits from Theory Y principles to encourage knowledge sharing and continuous improvement.

LEVELS OF MANAGEMENT

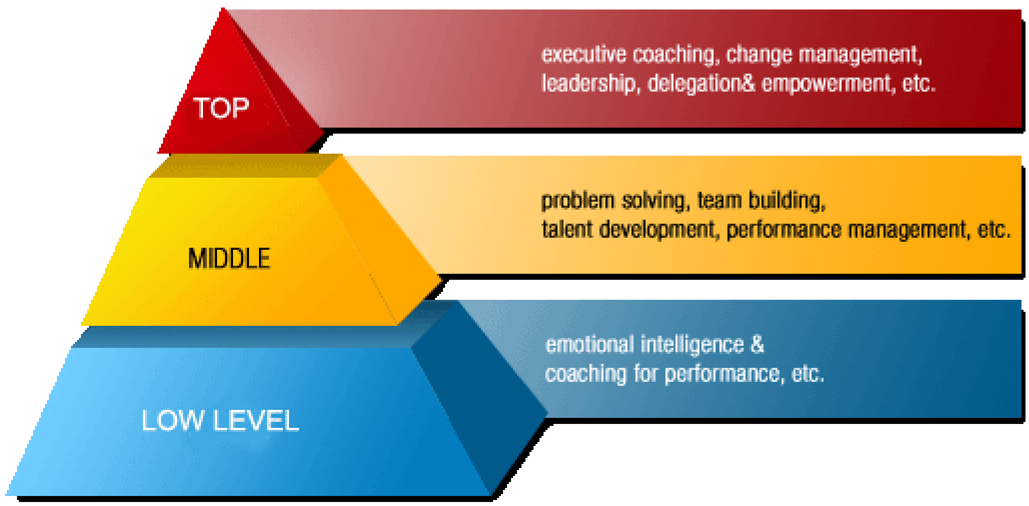
The term "Levels of Management' refers to a line of demarcation between various managerial positions in an organization. The number of levels in management increases when the size of the business and work force increases and vice versa. The level of management determines a chain of command, the amount of authority & status enjoyed by any managerial position.

The levels of management can be classified in three broad categories:

- Top level / Administrative level

- Middle level / Executory
- Low level / Supervisory / Operative / First-line managers

Managers at all these levels perform different functions. The role of managers at all the three levels is discussed below:



LEVELS OF MANAGEMENT

Top Level of Management

It consists of board of directors, chief executive or managing director. The top management is the ultimate source of authority and it manages goals and policies for an enterprise. It devotes more time on planning and coordinating functions.

The role of the top management can be summarized as follows -

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

- It provides guidance and direction.
- The top management is also responsible towards the shareholders for the performance of the enterprise.

Middle Level of Management

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

Their role can be emphasized as -

- They execute the plans of the organization in accordance with the policies and directives of the top management.
- They make plans for the sub-units of the organization.
- They participate in employment & training of lower level management.
- They interpret and explain policies from top level management to lower level.
- They are responsible for coordinating the activities within the division or department.
- It also sends important reports and other important data to top level management.
- They evaluate performance of junior managers.
- They are also responsible for inspiring lower level managers towards better performance.

Lower Level of Management

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

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

UNIT-II

Planning: Nature and Purpose of Planning – Planning Process – Types of Planning – Objectives – Setting Objectives – Policies – Planning Premises – Planning Tools and Techniques – Decision Making Steps and Process.

PLANNING

Planning is ascertaining prior to what to do and how to do. It is one of the primary managerial duties. Before doing something, the manager must form an opinion on how to work on a specific job. Hence, planning is firmly correlated with discovery and creativity. But the manager would first have to set goals.

Planning is an essential step what managers at all levels take. It needs holding on to the decisions since it includes selecting a choice from alternative ways of performance.

Planning bridges the gap between where we are (present) and where we want to go (future).

Planning is deciding in advance what to do, how to do when to do it and by whom it is to be done.

Importance of Planning

Planning is definitely significant as it directs us where to go, it furnishes direction and decreases the danger of risk by making predictions. The significant advantages of planning are provided below:

- **Planning provides directions:** Planning assures that the objectives are certainly asserted so that they serve as a model for determining what action should be taken and in which direction. If objects are well established, employees are informed of what the company has to do and what they need do to accomplish those purposes.
- **Planning decreases the chances of risk**: Planning is an activity which permits a manager to look forward and predict changes. By determining in prior the tasks to be completed, planning notes the way to deal with changes and unpredictable effects.
- **Planning decreases overlapping and wasteful activities:** Planning works as the foundation of organising the activities and purposes of distinct branches, departments, and people. It assists in avoiding chaos and confusion. Since planning guarantees precision in

understanding and action, work is conducted on easily without delays.

- **Planning encourages innovative ideas**: Since it is the primary function of management, new approaches can take the form of actual plans. It is the most challenging project for the management as it leads all planned actions pointing to growth and of the business.
- **Planning aids decision making:** It encourages the manager to look into the future and make a decision from amongst several alternative plans of action. The manager has to assess each option and pick the most viable plan.

NATURE AND PURPOSE OF PLANNING

Nature of Planning

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

Purpose of Planning

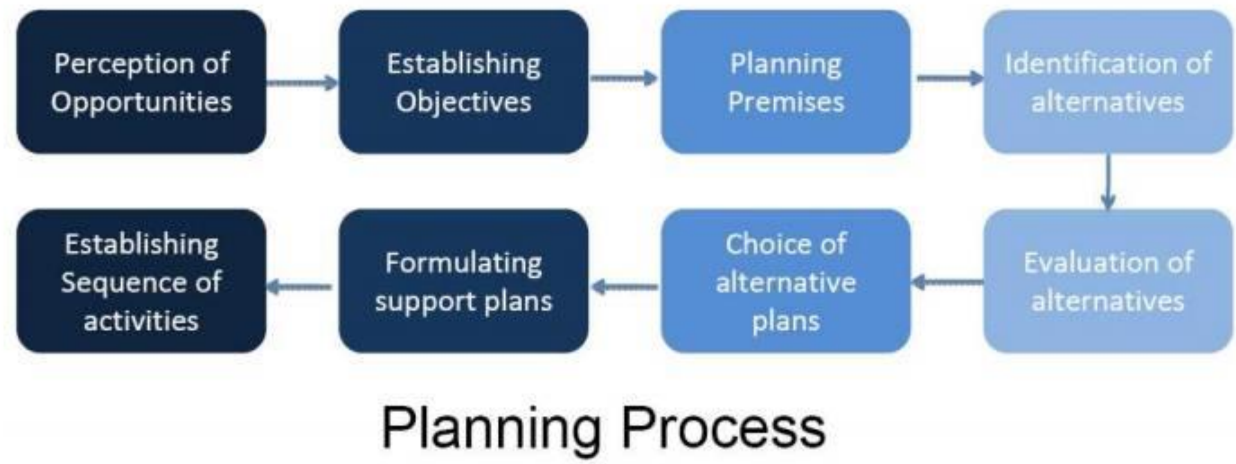
- **To manage by objectives:** All the activities of an organization are designed to achieve certain specified objectives. However, planning makes the objectives more concrete by focusing attention on them.
- **To offset uncertainty and change:** Future is always full of uncertainties and changes. Planning foresees the future and makes the necessary provisions for it.
- **To secure economy in operation:** Planning involves, the selection of most profitable course of action that would lead to the best result at the minimum costs.
- **To help in co-ordination:** Co-ordination is, indeed, the essence of management, the planning is the base of it. Without planning it is not possible to co-ordinate the different activities of an organization.
- **To make control effective:** The controlling function of management relates to the comparison of the planned performance with the actual performance. In the absence of plans, a management will have no standards for controlling other's performance.
- **To increase organizational effectiveness:** Mere efficiency in the organization is not important; it should also lead to productivity and effectiveness. Planning enables the manager to measure the organizational effectiveness in the context of the stated objectives and take further actions in this direction.

Features of Planning

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

PLANNING PROCESS

The various steps involved in planning are given below



a) Perception of Opportunities:

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

b) Establishing Objectives:

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

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

c) Considering the Planning Premises:

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

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

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

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

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

d) Identification of alternatives:

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

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

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

e) Evaluation of alternatives

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

If the only objective were to examine profits in a certain business immediately, if the future were not uncertain, if cash position and capital availability were not worrisome, and if most factors could be reduced to definite data, this evaluation should be relatively easy. But typical planning is replete with uncertainties, problems of capital shortages, and intangible factors, and so evaluation is usually very difficult, even with relatively simple problems. A company may wish to enter a new product line primarily for purposes of prestige; the forecast of expected results may show a clear financial loss, but the question is still open as to whether the loss is worth the gain.

f) Choice of alternative plans

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

g) Formulating of Supporting Plans

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

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

h) Establishing sequence of activities

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

CLASSIFICATION OF PLANNING / TYPES OF PLANNING

Planning is a complex and comprehensive process involving a series of overlapping and interrelated elements or stages, including strategic, tactical, and operational planning.

I. On the basis of content, Plans can be classified as:

A. Strategic Planning
B. Tactical Planning
C. Operational planning

A. Strategic planning

Strategic Planning establishes master plans that shape the destiny of the firm. An example of strategic planning is when the executive team at Harley-Davidson Inc. planned how to deal with the demographic shift of their customer base becoming much older.

Strategic plans set broad, comprehensive, and longer-term action directions for the entire organization.

- It is the process of deciding on Long-term objectives of the organization.
- It encompasses all the functional areas of business
- It decides major goals and policies of allocation of resources to achieve these goals.
- Done at higher levels of management
- Less detailed because it is not involved with the day to day operations of the organization

B. Tactical planning

Tactical planning translates strategic plans into specific goals and plans that are most relevant to a particular organizational unit. The tactical plans also provide details of how the company or business unit will compete within its chosen business area. Middle level managers have the primary responsibility for formulating and executing tactical plans. These plans are based on marketplace realities when developed for a business. Conditions can change rapidly in competitive fields such as a Korean company suddenly developing a substantially lower price sports bike.

- It involves conversion of detailed and specific plans into detailed and specification plans.
- It is the blue print for current action and it supports the strategic plans.
- It is Mid-term term
- It is more detailed because it involves with day to day operations of the organization.
- It is done at middle level of management

C. Operational planning

Operational planning identifies the specific procedures and actions required at lower levels in the organization. If Harley- Davidson wants to revamp an assembly line to produce more sports bikes, operational plans would have to be drawn. In practice, the distinction between tactical planning and operational planning is not clear-cut. However, both tactical plans and operational plans must support the strategic plan such as revamping manufacturing and marketing to capture a larger group of young cyclists.

- It is short term
- It is more detailed because it is involves with day to day operations of the organization.
- Done at lower level of management
- Define what needs to be done in specific areas to implement strategic plans.
  - – Production plans
  - – Financial plans
  - – Facilities plans
  - – Marketing plans
  - – Human resource plans

II. On the basis of time period

A. Long term planning

◦ Time frame beyond five years. Long term Plans: >5yrs

◦ It specifies what the organization wants to become in long run.

◦ It involves great deal of uncertainty.

◦ Higher management levels focus on longer time horizons.

◦ Cover a longer time

◦ May include a variety of different types of training

Some examples Long term Plans:

- An annual plan, including Fast Start and basic training
- Makeup training sessions
- Den chief training
- Regular monthly roundtables
- Supplemental training
- Personal coaching

• Self-study

We should not overlook the importance of long-range plans in providing a total leadership growth and development program for leaders.

B. Intermediate term/ Midterm planning

- Time frame between two and five years. Medium Term Plans: >1 yr but <5yrs
- It is designed to implement long term plans.

C. Short term planning

- Time frame of one year or less. Short term Plans: Upto one year
- It provide basis for day to day operations.
- Meet a particular objective in the near future
- Cover a limited area of training
- Answer the question: Are we doing things right?
- Should fit well within and contribute to long-range plans.

Some examples:

• Plans for basic training sessions for new leaders who have just been recruited
• Plans for a den chief training conference
• Plans for training roundtable staff members

OBJECTIVES

Objectives were defined earlier as the important ends toward which organizational and individual activities are directed. Since writers and practitioners make no clear distinction between the terms goal and objectives, they are used interchangeably in this book. Within the context of the discussion, it will become dear whether the objectives are long term or short term, broad or specific. The emphasis is on verifiable objectives, which means at the end of the period it should be possible to determine whether or not the objective has been achieved. The goal of every manager is to create a surplus or profit. Clear and verifiable objectives facilitate measurement of the surplus as well as the effectiveness and efficiency of managerial actions.

The Nature of Objectives

Objectives state end results, and overall objectives need to be supported by sub objectives. Thus, objectives form a hierarchy as well as a network. Moreover, organizations and managers have multiple goals that are sometimes incompatible and may lead to conflicts within the organization, within the group, and even within individuals. A manager may have to choose between short term and long-term performance, and personal interests may have to be subordinated to organizational objectives.

Hierarchy of objectives

Objectives form a hierarchy, ranging from the broad aim to specific individual objectives. The zenith of the hierarchy is the purpose or mission, which has two dimensions.

1. Social purpose: Contributing to the welfare of people by providing goods and services at a reasonable price.

2. Mission or purpose of the business: To furnish convenient, low-cost transportation for the average person. The stated mission might be to produce, market, and service automobiles. The distinction between purpose and mission is a fine one, and therefore many writers and practitioners do not differentiate between the two terms. At any rate, these aims are in turn translated into general objectives and strategies, such as designing, producing, and marketing reliable, low-cost, fuel-efficient automobiles.

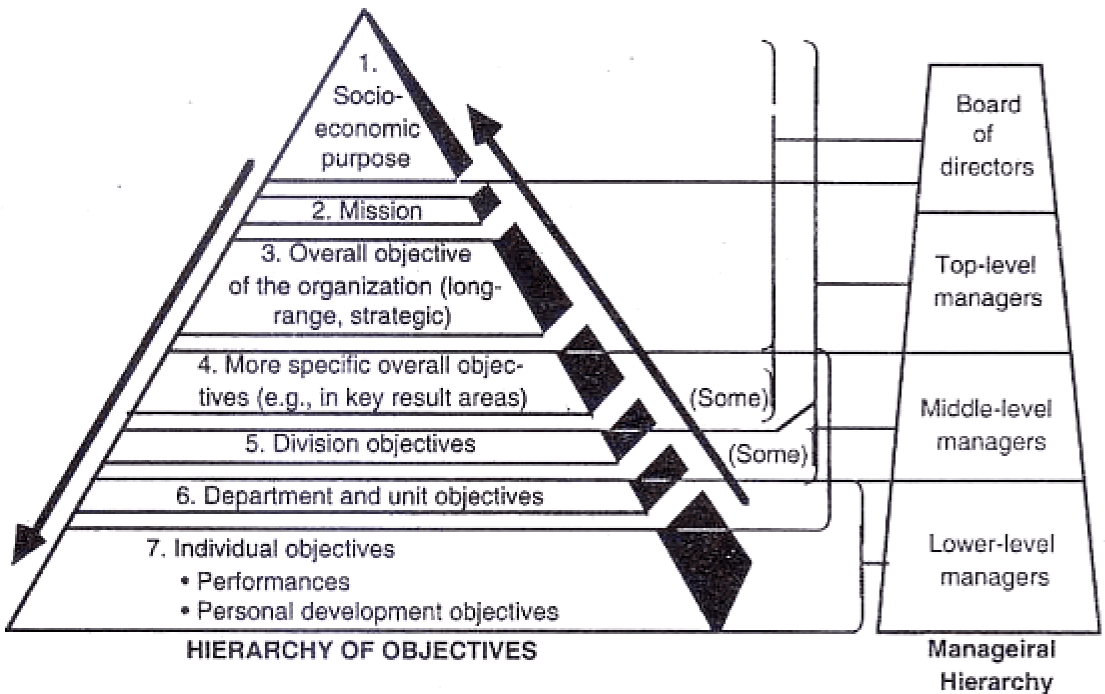
3. Specific objectives: Objectives in the key result areas. These are the areas in which performance is essential for the success of the enterprise. Although there is no complete agreement on what the key result areas of a business should be-and they may differ between enterprises.

Peter F. Drucker suggests the following: market standing, innovation, productivity, physical and financial resources, profitability, manager performance and development, worker performance and attitude, and public responsibility. Two other key result areas have 'become of strategic importance: service and quality.

Examples of objectives for key result areas are:

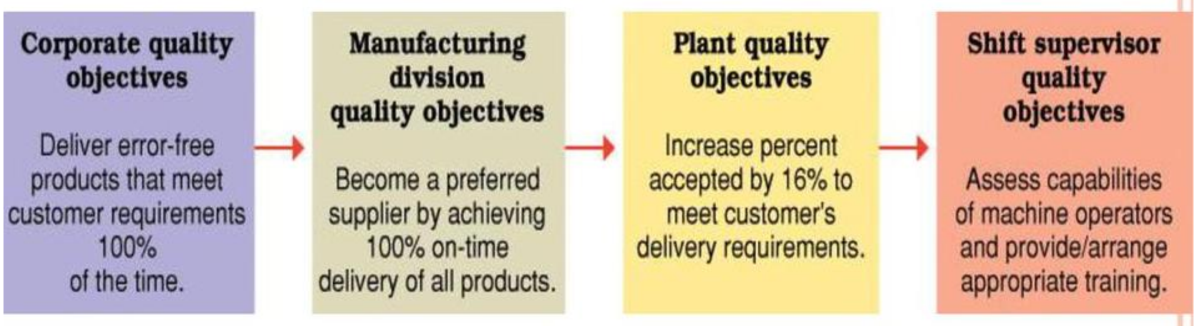
- To obtain a 10 percent return on investment by the end of calendar year (profitability);
- To increase the number of units of product X produced by 7 percent by June 30, without raising costs or reducing the current quality level (productivity).

The objectives have to be further translated into those of divisions, departments, and units down to the lowest level of the organization.



Relationship Of Objectives And The Managerial Hierarchy

A sample means-ends chain for total quality management.



Examples of Non-Verifiable and Verifiable objectives

Non-Verifiable Objective

- To make a reasonable profit
- To improve communication
- To improve productivity of the production department
- To develop better managers
- To install a computer system

Verifiable objective

- To achieve a return on investment of 12% at the end of the current fiscal year
- To issue a two-page monthly newsletter beginning July 1, 2005, involving not more than 40 working hours of preparation time (after the first issue)
- To increase production output by 5% by December 31 without additional costs while maintaining the current quality level
- To design and conduct a 40-hour in-house program on the "fundamentals of management," to be completed by October 1, involving not more than 200 working hours of the management development staff and with at least 90% of the 100 managers passing the exam (specified)
- To install a computerized control system in the production department by December 31, 2005, requiring not more than 500 working hours of systems analysis and operating with not more than 10% downtime during the first three months or 2% thereafter.

Advantages of Objectives

- Clear definition of objectives encourages unified planning.
- Objectives provide motivation to people in the organization.
- When the work is goal-oriented, unproductive tasks can be avoided.
- Objectives provide standards which aid in the control of human efforts in an organization.
- Objectives serve to identify the organization and to link it to the groups upon which its existence depends.
- Objectives act as a sound basis for developing administrative controls.
- Objectives contribute to the management process: they influence the purpose of the
- organization, policies, personnel, leadership as well as managerial control.

Process of Setting Objectives

Objectives are required to be set in every area which directly and vitally effects the survival and prosperity of the business. In the setting of objectives, the following points should be borne in mind.

- Objectives are required to be set by management in every area which directly and vitally affects the survival and prosperity of the business.
- The objectives to be set in various areas have to be identified.
- While setting the objectives, the past performance must be reviewed, since past performance indicates what the organization will be able to accomplish in future.
- The objectives should be set in realistic terms i.e., the objectives to be set should be reasonable and capable of attainment.
- Objectives must be consistent with one and other.
- Objectives must be set in clear-cut terms.
- For the successful accomplishment of the objectives, there should be effective communication.

POLICIES

- Policies are guides to thinking in decision making. They reflect and interpret objectives and guide decisions to to achieve the objectives. They establish the framework for planning programs. They establish limits or boundaries to plans whereas planning premises provide the operational background.
- Policies themselves are plans. They are also the result of planning and decision making. Policies also have levels. A policy can be a major as that of financing growth through retained profits.
- Policies can be categorized as originated policy, appealed policy, implied policy, and externally imposed policy.
- The most logical way of policy setting is that originated by managers at a certain level for the express purpose of guiding their decisions and the decisions of their subordinates in the operation of business.
- The decisions made by superiors in the on problems referred to them can develop into policies and such policies are termed as appealed policy.
- Many times policies develop from the actions that people see about them. If a company talks of high quality in speeches and slogans, but is frequently producing and selling shoddy goods, people working in the company assume that poor quality is the policy of the company. Implied policy emerges from instances where stated policy is not enforced.
- Government, trade associations and trade unions impose certain policies on the organizations.

PLANNING PREMISES

Planning premises are basic assumptions about the environment in which plans are expected to be implemented. Certainly, planning has to take into account numerous uncertainties in its environment. Premises guide effectively planning. As pointed out by Harold Koontz, planning premises spell out stage of the expected future event which is believed will exist when plans operate. They are the expected environment of plans.

Planning premises are largely derived from forecasting. The effectiveness of planning to a great extent, depends on how accurately the premises are developed from out of the forecasting data. Though it is not possible to predict accurately future environmental conditions, planning has necessarily to be based on certain assumptions about the environment. These assumptions are captured in the form of planning premises.

Planning premises can be categorized into three heads –

(a) Internal and External premises :

The factors which exist within the business organisation furnish the basis for internal premises. These include sales forecast, cash flows, capital budgeting, advertising expenditure, product line, marketing mix, competence of the managerial personnel etc. On the other hand external premises are concerned with the general business climate comprising of economic, social, political, technological conditions in the economy.

(b) **Controllable, semi-controllable and uncontrollable premises :**

The premise which can be controlled by the management are known as controllable premises, these include the internal policies, credit policies, investment plans, research projects, rules.etc. Which are within the jurisdiction of management. Semi-controllable premises are those over which the management has some control. Some of the examples of these premises are union management relations, firm's share in the market, market strategies, labour turnover etc. Finally premises over which a firm has no control are known as uncontrollable premises. Examples in this category include the natural calamities, wars, strike, innovations, emergency legislation etc.

(c) Tangible and intangible premises :

The premises that can be expressed in tangible physical terms (monetary units) such as labour hours, production units are knows as tangible premises. On the other hand, intangible premises are those that defy quantification! Examples of intangible premises are public relations, employee morale, reputation of the firm, competitive strength of the firm, etc. though the intangible premises cannot be quantified in specific terms, these cannot be ignored while planning.

PLANNING TOOLS AND TECHNIQUES

The useful tools and techniques of managerial planning include the following:

- Forecasting
- Contingency planning
- Scenarios
- Bench marketing
- Participative planning
- Use of staff planners

Forecasting

Forecasting is the process of predicting what will happen in the future. Almost every plan involves forecasts of some sort. The economist regularly report forecasts of economic conditions interest rates, unemployment, and trade deficits. among other issues. There are some based on qualitative forecasting. Qualitative forecasting uses experts opinions to predict the future. Also it is involved to use mathematical models and statistical analysis of historical data and surveys to predict the future events.

Contingency Planning

It identifies alternative courses of action that can be implemented to meet the needs of changing circumstances. Although it is not possible for anyone to predict when things will go wrong, it can be expected that they will. It is unlikely that any plan will ever be completely perfect. Changes will occur in the environment. When crisis and emergencies occur, managers and the organizations have contingency plans that are ready to be implemented. Contingency plans contain "trigger points" that indicate when pre-selected alternative plans should be activated.

Scenario Planning

It involves identifying several alternative future scenarios that may occur. Plans are then made to deal with each scenario as it occurs.

For example, the Heart and Stroke Foundation of Ontario set out to design a new model for the health care funding, they wanted to challenge the organization to think in different ways about the future. The scenario planning process benefited them by helping the board and other invited experts to rehearse strategic development plans and tactics in five different realistic scenarios.

Benchmarking

It is a technique that uses external comparisons to better evaluate one's current performances and identify possible actions for the future. The purpose of it is to find out what other people and organizations are doing well at and plan how to incorporate these ideas into one's own operations. One of the benchmarking techniques are used to search for best practices. Best practices are things that lead to superior performance. It is considered that the best run organizations also emphasize internal benchmarking that encourages all members and work units to learn and improve by sharing one another's best practices.

Participation and Involvement

Includes, in all planning steps, the people who will be affected by the plans and/or who will be asked to help implement them. This process brings many benefits to the organization. Participation can increase creativity and information available for planning. Also, it increases the understanding and acceptance of plans, along with commitment to their success. Although its takes a long time, it can improve results by improving implementation. All employees participate in the planning process and are regularly updated about the company's program towards its goal.

Use of Staff Planners

Staff planners are employed to help coordinate planning for the organization as a whole or for one of its major components. They help bring focus and energy to accomplish important planning tasks. A risk involved is a tendency for a communication gap to develop between the staff planners and line managers. Everyone must work closely together, the resulting plans may be inadequate and people may lack commitment to implement the plans no matter who good they are.

DECISION MAKING STEPS AND PROCESS

DECISION-MAKING

Decision-making is a process of selecting the best among the different alternatives. It is the act of making a choice. There are so many alternatives found in the organization and departments. Decision-making is defined as the selection of choice of one best alternative. Before making decisions all alternatives should be evaluated from which advantages and disadvantages are known. It helps to make the best decisions. It is also one of the important functions of management. Without other management functions such as planning, Organizing, directing, controlling, staffing can't be conducted because in this managerial function decision is very important. According to Stephen P. Robbins, "decision-making is defines as the selection of a preferred course of action from two or more alternatives."

Importance of decision-making

1. Implementation of managerial function: Without decision-making different managerial function such as planning, organizing, directing, controlling, staffing can't be conducted. In other words, when an employee does, s/he does the work through decision-making function. Therefore, we can say that decision is important element to implement the managerial function.

2. Pervasiveness of decision-making: the decision is made in all managerial activities and in all functions of the organization. It must be taken by all staff. Without decision-making any kinds of function is not possible. So it is pervasive.

3. Evaluation of managerial performance: Decisions can evaluate managerial performance. When decision is correct it is understood that the manager is qualified, able and efficient. When the decision is wrong, it is understood that the manager is disqualified. So decision-making evaluate the managerial performance.

4. Helpful in planning and policies: Any policy or plan is established through decision making. Without decision making, no plans and policies are performed. In the process of making plans, appropriate decisions must be made from so many alternatives. Therefore, decision making is an important process which is helpful in planning.

5. Selecting the best alternatives: Decision making is the process of selecting the best alternatives. It is necessary in every organization because there are many alternatives. So decision makers evaluate various advantages and disadvantages of every alternative and select the best alternative.

6. Successful; operation of business: Every individual, departments and organization make the decisions. In this competitive world; organization can exist when the correct and appropriate decisions are made. Therefore, correct decisions help in successful operation of business.

Steps in decision-making

1. Identification of problems: the first step of decision-making is identification of problems. First of all, managers must identify the problem. The problem has to be found and defined. Symptoms are identified and problems should be judged, symptoms are not problems. They are warning signs of problems. So, managers should search for symptoms for identification of problems. Such symptoms can be falling of sales, profit etc. It is said that problem identified is half solved is identification of problem should be effective.

2. Analysis of problem: after identification of problems, the problem should be analyzed by the decision maker. It is the assembly of fact and clarifying it. Relevant information must be collected and analyzed according to the complexity and nature of problems.

3. Developing the alternative solution: after identification and analysis of problems different probable solutions have to be developed which is known as developing the alternative solutions. There may be many alternative past experience, expert opinion, discussions etc which may be helpful to develop the alternative.

4. Evaluation of the best alternative: after developing the alternative solution evaluation of the best alternative is done. It is determined that which alternative has how much advantage and disadvantages. in other words, alternatives are evaluated in so many factors like cost factors, risk , benefits, facilities etc. therefore it is very important.

5. Selection of the best alternative: after evaluating alternative, the best alternative is to be selected from various alternative. After developing alternative, the managers should taste each of them by imagining things that he has already put in effect. He should try to foresee the desirable consequences of adopting each alternative. It is done for best selection. Therefore, it is very important.

6. Implementation of the best alternative: after selection of the finest alternative, it must be used in the organization effectively. Effectiveness of decisions in achieving the desired goals depends upon its implementation. It they are not implemented effectively then best results can't be obtained. Therefore, proper implementation of the best alternative is necessary.

7. Review of implementation: it is the last step of decision-making process. When the implementation of the best alternative is reviewed, the process of decision-making is finished. The result of implementation should be monitored and evaluated through which effectiveness can be measured.

Types of decision-making

1. Programmed and non programmed decisions: Programmed decisions are those which are normally repetitive in nature and are taken as a routine job and responsibilities. These types of decisions are made by middle level management in accordance with some policies, rules and procedures. They have short term impact. For example: – granting a leave to an employee, purchasing office materials etc. non programmed decisions are non repetitively taken by top executives. They need to collect data and analyze them and forecast the strategic plans.

2. Major and minor decisions: among different decisions some decisions are considerably more important than others and are prioritized. They are called major decisions. For example, replacement of man by machine, diversification of product etc. contrary to that, some remaining decisions are considerably less important than others and are not so prioritized. They are minor decisions. For example, store of raw materials etc.

3. Routine and strategic decisions: Routine decisions are those decisions which are considered as tactical decisions. They are taken frequently to achieve high degree of efficiency in the organizational activities. For example, parking facilities, lighting and canteen etc. strategic decisions are those which are related to lowering the prices of products, changing the product etc. they take more fund and degree of partials.

4. Organizational and personal decision: Organizational decision is taken by top executives. For official purpose. They affect the organizational activities directly. Authority is also delegated. Personal decisions are concerned to an employee. The executives whenever takes the decisions personally that is known as personal decisions.

5. Individual and group decisions: When a single employee is involved in decision-making it is called individual decision. They are taken by ole proprietor when the problem is of routine nature. On the other hand when the decision is taken in a large organization where important and strategic decisions are taken, it is a group decision.

6. Policy and operating decisions: Policy decisions are taken by top-level management to change the rules, procedures, organizational structure etc, and they have a long tern effect. Operational decisions are taken by low level management which have short term effect and which affect the day-to-day operation of the organization.

UNIT-III

Organising: Nature and Purpose – Formal and Informal Organization – Organization Chart – Organization Structure – Types – Line and Staff Authority – Departmentalization – Delegation of Authority – Centralization and Decentralization —Span of Management- Job Design- Recruitment, Selection, Training and Compensation.

DEFINITION

According to Pearce and Robinson, “Organising is a process of defining the essential relationships among people, tasks and activities in such a way that all the organisation’s resources are integrated and coordinated to accomplish its objectives efficiently and effectively”.

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

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

NATURE OF ORGANIZING (CHARACTERISTICS)

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

- **Division of Work:** Division of work is the basis of an organization. In other words, there can be no organization without division of work. Under division of work the entire work of business is divided into many departments .The work of every department is further sub-divided into sub-works. In this way each individual has to do the saran work repeatedly which gradually makes that person an expert.
- **Coordination:** Under organizing different persons are assigned different works but the aim of all these persons happens to be the some - the attainment of the objectives of the enterprise. Organization ensures that the work of all the persons depends on each other’s work even though it happens to be different. The work of one person starts from where the work of another person ends. The non-completion of the work of one person affects the work of everybody. Therefore, everybody completes his work in time and does not hinder the work of others. It is thus, clear that it is in the nature of an organization to establish

coordination among different works, departments and posts in the enterprise.

- **Plurality of Persons:** Organization is a group of many persons who assemble to fulfill a common purpose. A single individual cannot create an organization.
- **Common Objectives:** There are various parts of an organization with different functions to perform but all move in the direction of achieving a general objective.
- **Well-defined Authority and Responsibility:** Under organization a chain is established between different posts right from the top to the bottom. It is clearly specified as to what will be the authority and responsibility of every post. In other words, every individual working in the organization is given some authority for the efficient work performance and it is also decided simultaneously as to what will be the responsibility of that individual in case of unsatisfactory work performance.
- **Organization is a Structure of Relationship:** Relationship between persons working on different posts in the organization is decided. In other words, it is decided as to who will be the superior and who will be the subordinate. Leaving the top level post and the lowest level post everybody is somebody's superior and somebody's subordinate. The person working on the top level post has no superior and the person working on the lowest level post has no subordinate.
- **Organization is a Machine of Management:** Organization is considered to be a machine of management because the efficiency of all the functions depends on an effective organization. In the absence of organization no function can be performed in a planned manner. It is appropriate to call organization a machine of management from another point of view. It is that machine in which no part can afford tube ill-fitting or non-functional. In other words, if the division of work is not done properly or posts are not created correctly the whole system of management collapses.
- **Organization is a Universal Process:** Organization is needed both in business and non-business organizations. Not only this, organization will be needed where two or mom than two people work jointly. Therefore, organization has the quality of universality. (9) Organization is a Dynamic Process: Organization is related to people and the knowledge and experience of the people undergo a change. The impact of this change affects the various functions of the organizations. Thus, organization is not a process that can be

decided for all times to come but it undergoes changes according to the needs. The example in this case can be the creation or abolition of a new post according to the need.

PURPOSE OF ORGANIZING

The purpose of an organization structure is to establish a form so that they may better work together to achieve the enterprises objectives. To establish a formal system of roles that people can perform means that the purpose of organizing is.

- Grouping of activities is necessary to attain objectives
- The assignment of each group to a manage with authority necessary to supervise it
- Creating coordination horizontally and vertically in the enterprise structure

The purpose of organizing function of management is to create a clear environment so that everyone knows as who is to do what, who is responsible for what results, to remove obstacles to performance caused by confusion and ensure certainty of assignment, to create an environment to achieve the efficiency of people towards the accomplishment of organization goals.

IMPORTANCE OF ORGANIZING (ADVANTAGES)

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

- **Increase in Managerial Efficiency:** A good and balanced organization helps the managers to increase their efficiency. Managers, through the medium of organization, make a proper distribution of the whole work among different people according to their ability.

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

ORGANIZING PROCESS

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

a) Determination of Objectives:

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

b) Enumeration of Objectives:

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

c) Classification of Activities:

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

d) Assignment of Duties:

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

e) Delegation of Authority:

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

ORGANIZATION STRUCTURE

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

March and Simon have stated that-"Organization structure consists simply of those aspects of pattern of behavior in the organization that are relatively stable and change only slowly." The structure of an organization is generally shown on an organization chart. It shows the authority and responsibility relationships between various positions in the organization while designing the organization structure, due attention should be given to the principles of sound organization.

Significance of Organization Structure

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

PRINCIPLES OF ORGANIZATION STRUCTURE

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

a) Line and Staff Relationships:

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

b) Departmentalization:

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

c) Span of Control:

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

d) De-centralization and Centralization:

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

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

FORMAL AND INFORMAL ORGANIZATION

The formal organization refers to the structure of jobs and positions with clearly defined functions and relationships as prescribed by the top management. This type of organization is built by the management to realize objectives of an enterprise and is bound by rules, systems and procedures. Everybody is assigned a certain responsibility for the performance of the given task and given the required amount of authority for carrying it out. Informal organization, which does not appear on the organization chart, supplements the formal organization in achieving organizational goals effectively and efficiently. The working of informal groups and leaders is not as simple as it may appear to be. Therefore, it is obligatory for every manager to study thoroughly the working pattern of informal relationships in the organization and to use them for achieving organizational objectives.

FORMAL ORGANIZATION

Chester I Bernard defines formal organization as -"a system of consciously coordinated activities or forces of two or more persons. It refers to the structure of well-defined jobs, each bearing a definite measure of authority, responsibility and accountability." The essence of formal organization is conscious common purpose and comes into being when persons–

- Are able to communicate with each other
- Are willing to act and
- Share a purpose.

The formal organization is built around four key pillars.

They are:

i) Division of labor

ii) Scalar and functional processes

iii) Structure and

iv) Span of control

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

Characteristic Features of formal organization

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

Advantages of formal organization

- The formal organization structure concentrates on the jobs to be performed. It, therefore, makes everybody responsible for a given task.

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

Disadvantages or criticisms of formal organization

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

INFORMAL ORGANIZATION

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

Characteristics features of informal organization

- Informal organization is not established by any formal authority. It is unplanned and arises spontaneously.
- Informal organizations reflect human relationships. It arises from the personal and social relations amongst the people working in the organization.
- Formation of informal organizations is a natural process. It is not based on rules,

regulations and procedures.

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

Benefits of Informal organization

- It blends with the formal organization to make it more effective.
- Many things which cannot be achieved through formal organization can be achieved through informal organization.
- The presence of informal organization in an enterprise makes the managers plan and act more carefully.
- Informal organization acts as a means by which the workers achieve a sense of security and belonging. It provides social satisfaction to group members.
- An informal organization has a powerful influence on productivity and job satisfaction.
- The informal leader lightens the burden of the formal manager and tries to fill in the gaps in the manager's ability.
- Informal organization helps the group members to attain specific personal objectives.
- Informal organization is the best means of employee communication. It is very fast.
- Informal organization gives psychological satisfaction to the members. It acts as a safety valve for the emotional problems and frustrations of the workers of the organization because they get a platform to express their feelings.
- It serves as an agency for social control of human behavior.

DIFFERENCES BETWEEN FORMAL AND INFORMAL ORGANIZATION

Formal Organization	Informal Organization
1. Formal organization is established with the explicit aim of achieving well-defined goals.	1. Informal organization springs on its own. Its goals are ill defined and intangible.
2. Formal organization is bound together by authority relationships among members. A hierarchical structure is created, constituting top management, middle management and supervisory management.	2. Informal organization is characterized by a generalized sort of power relationships. Power in informal organization has bases other than rational legal right.
3. Formal organization recognizes certain tasks which are to be carried out to achieve its goals.	3. Informal organization does not have any well-defined tasks.
4. The roles and relationships of people in formal organization are impersonally defined	4. In informal organization the relationships among people are interpersonal.
5. In formal organization, much emphasis is placed on efficiency, discipline, conformity, consistency and control.	5. Informal organization is characterized by relative freedom, spontaneity, by relative freedom, spontaneity, homeliness and warmth.
6. In formal organization, the social and psychological needs and interests of members of the organization get little attention.	6. In informal organization the sociopsychological needs, interests and aspirations of members get priority.
7. The communication system in formal organization follows certain pre-determined patterns and paths.	7. In informal organization, the communication pattern is haphazard, intricate and natural.
8. Formal organization is relatively slow to respond and adapt to changing situations and realities.	8. Informal organization is dynamic and very vigilant. It is sensitive to its surroundings.

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LINE AND STAFF AUTHORITY

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

Types of Staff

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

1. Personal Staff: Here the staff official is attached as a personal assistant or adviser to the line manager. For example, Assistant to managing director.

2. Specialized Staff: Such staff acts as the fountainhead of expertise in specialized areas like R & D, personnel, accounting etc.

3. General Staff: This category of staff consists of a set of experts in different areas who are meant to advise and assist the top management on matters called for expertise. For example, Financial advisor, technical advisor etc.

Features of line and staff organization

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

Advantages

- It brings expert knowledge to bear upon management and operating problems. Thus, the line managers get the benefit of specialized knowledge of staff specialists at various levels.
- The expert advice and guidance given by the staff officers to the line officers benefit the entire organization.
- As the staff officers look after the detailed analysis of each important managerial activity, it relieves the line managers of the both eration of concentrating on specialized functions.
- Staff specialists help the line managers in taking better decisions by providing expert advice. Therefore, there will be sound managerial decisions under this system.
- It makes possible the principle of undivided responsibility and authority, and at the same time permits staff specialization. Thus, the organization takes advantage of functional organization while maintaining the unity of command.
- It is based upon planned specialization.
- Line and staff organization has greater flexibility, in the sense that new specialized activities can be added to the line activities without disturbing the line procedure.

Disadvantages

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

- Although expert information and advice are available, they reach the workers through the officers and thus run the risk of misunderstanding and misinterpretation.
- Since staff managers are not accountable for the results, they may not be performing their duties well.
- Line mangers deal with problems in a more practical manner. But staff officials who are specialists in their fields tend to be more theoretical. This may hamper coordination in the organization.

DEPARTMENTATION BY DIFFERENT STRATEGIES

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

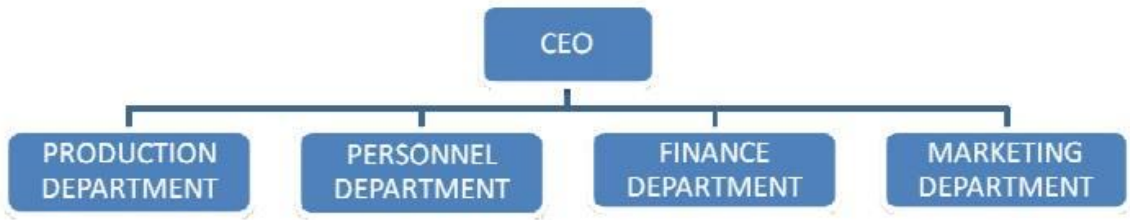
Key Factors in Departmentation

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

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

A) FUNCTIONAL DEPARTMENTATION

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



Advantages:

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

Disadvantages:

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

B) PRODUCT DEPARTMENTATION

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

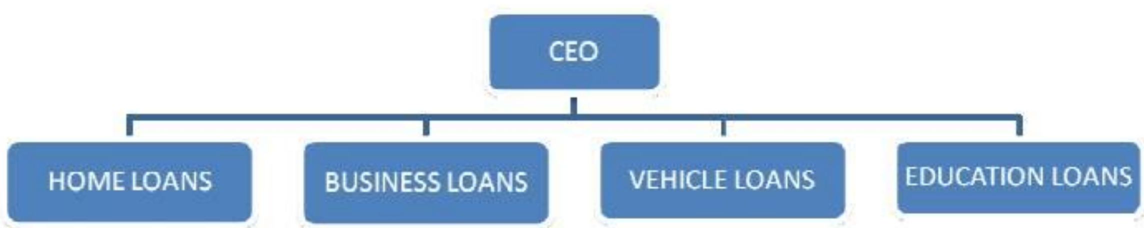
Advantages

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

Disadvantages

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

C) CUSTOMER DEPARTMENTATION



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

Advantages

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

Disadvantages

Sales being the exclusive field of its application, co-ordination may appear difficult between sales function and other enterprise functions.

Specialized sales staff may become idle with the downward movement of sales to any specified group of customers.

D) GEOGRAPHIC DEPARTMENTATION

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

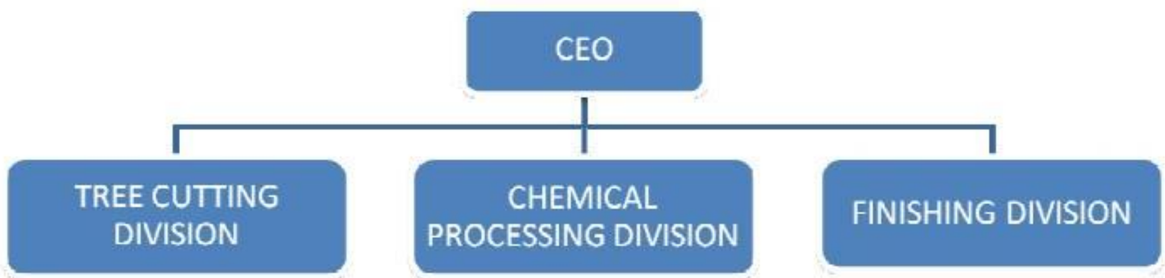
Advantages

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

Disadvantages

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

E) PROCESS DEPARTMENTATION



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

Departmentation by process: -

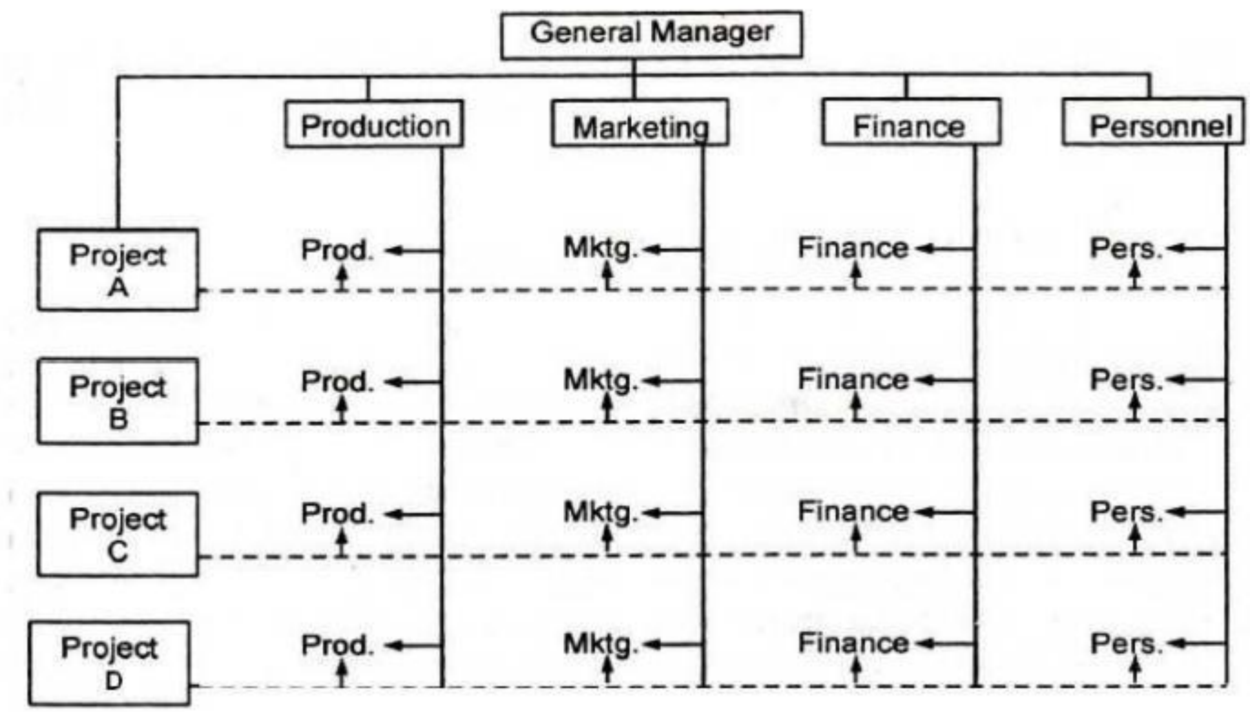
Advantages

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

Disadvantage

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

F) MARTIX DEPARTMENTATION



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

Advantages

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

Disadvantages

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

CENTRALIZATION AND DECENTRALIZATION

CENTRALIZATION:

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

Characteristics

- Philosophy / emphasis on: top-down control, leadership, vision, strategy.
- Decision-making: strong, authoritarian, visionary, charismatic.
- Organizational change: shaped by top, vision of leader.

- Execution: decisive, fast, coordinated. Able to respond quickly to major issues and changes.
- Uniformity. Low risk of dissent or conflicts between parts of the organization.

Advantages of Centralization

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

Disadvantages of Centralization

- Neglected functions for mid. Level, and less motivated beside personnel.
- Nursing supervisor functions as a link officer between nursing director and first-line management.

DECENTRALIZATION:

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

Characteristics

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

Three Forms of decentralization

1. De-concentration. The weakest form of decentralization. Decision making authority is redistributed to lower or regional levels of the same central organization.

2. Delegation. A more extensive form of decentralization. Through delegation the responsibility for decision-making are transferred to semi-autonomous organizations not wholly controlled by the central organization, but ultimately accountable to it.

3. Devolution. A third type of decentralization is devolution. The authority for decision-making is transferred completely too autonomous organizational units.

Advantages of Decentralization

- Raise morale and promote interpersonal relationships
- Relieve from the daily administration
- Bring decision-making close to action
- Develop Second-line managers
- Promote employee’s enthusiasm and coordination
- Facilitate actions by lower-level managers

Disadvantages of Decentralization

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

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

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

DELEGATION OF AUTHORITY

A manager alone cannot perform all the tasks assigned to him. In order to meet the targets, the manager should delegate authority. Delegation of Authority means division of authority and powers downwards to the subordinate. Delegation is about entrusting someone else to do parts of your job. Delegation of authority can be defined as subdivision and sub-allocation of powers to the subordinates in order to achieve effective results.

Elements of Delegation

Authority - in context of a business organization, authority can be defined as the power and right of a person to use and allocate the resources efficiently, to take decisions and to give orders so as to achieve the organizational objectives. Authority must be well- defined. All people who have the authority should know what is the scope of their authority is and they shouldn't misutilize it. Authority is the right to give commands, orders and get the things done. The top level management has greatest authority. Authority always flows from top to bottom. It explains how a superior gets work done from his subordinate by clearly explaining what is expected of him and how he should go about it. Authority should be accompanied with an equal amount of responsibility. Delegating the authority to someone else doesn't imply escaping from accountability. Accountability still rest with the person having the utmost authority.

Responsibility - is the duty of the person to complete the task assigned to him. A person who is given the responsibility should ensure that he accomplishes the tasks assigned to him. If the tasks for which he was held responsible are not completed, then he should not give explanations or excuses. Responsibility without adequate authority leads to discontent and dissatisfaction among the person. Responsibility flows from bottom to top. The middle level and lower level management holds more responsibility. The person held responsible for a job is answerable for it. If he performs the tasks assigned as expected, he is bound for praises. While if he doesn't accomplish tasks assigned as expected, then also he is answerable for that.

Accountability - means giving explanations for any variance in the actual performance from the expectations set. Accountability cannot be delegated. For example, if 'A' is given a task with sufficient authority, and 'A' delegates this task to B and asks him to ensure that task is done well, responsibility rest with 'B', but accountability still rest with 'A'. The top level management is most accountable. Being accountable means being innovative as the person will think beyond his scope of job. Accountability ,in short, means being answerable for the end result. Accountability can't be escaped. It arises from responsibility.

DELEGATION PROCESS

The steps involved in delegation are given below

Allocation of duties – The delegator first tries to define the task and duties to the subordinate. He also has to define the result expected from the subordinates. Clarity of duty as well as result expected has to be the first step in delegation.

Granting of authority – Subdivision of authority takes place when a superior divides and shares his authority with the subordinate. It is for this reason; every subordinate should be given enough independence to carry the task given to him by his superiors. The managers at all levels delegate authority and power which is attached to their job positions. The subdivision of powers is very important to get effective results.

Assigning of Responsibility and Accountability – The delegation process does not end once powers are granted to the subordinates. They at the same time have to be obligatory towards the duties assigned to them. Responsibility is said to be the factor or obligation of an individual to carry out his duties in best of his ability as per the directions of superior. Therefore, it is that which gives effectiveness to authority. At the same time, responsibility is absolute and cannot be shifted.

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

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

SPAN OF MANAGEMENT or SPAN OF CONTROL

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

Factors Affecting Span of control:

Capacity of Superior: Different ability and capacity of leadership, communication affect management of subordinates.

Capacity of Subordinates: Efficient and trained subordinates affects the degree of span of management.

Nature of Work: Different types of work require different patterns of management.

Degree of Centralization or Decentralization: Degree of centralization or decentralization affects the span of management by affecting the degree of involvement of the superior in decision making.

Degree of Planning: Plans which can provide rules, procedures in doing the work higher would be the degree of span of management.

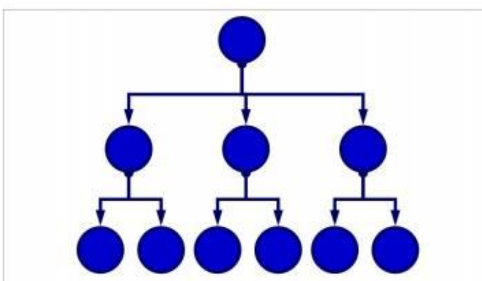
Communication Techniques: Pattern of communication, its means, and media affect the time requirement in managing subordinates and consequently span of management.

Use of Staff Assistance: Use of Staff assistance in reducing the work load of managers enables them to manage more number of subordinates.

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

Span of control is of two types:

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



Advantages:

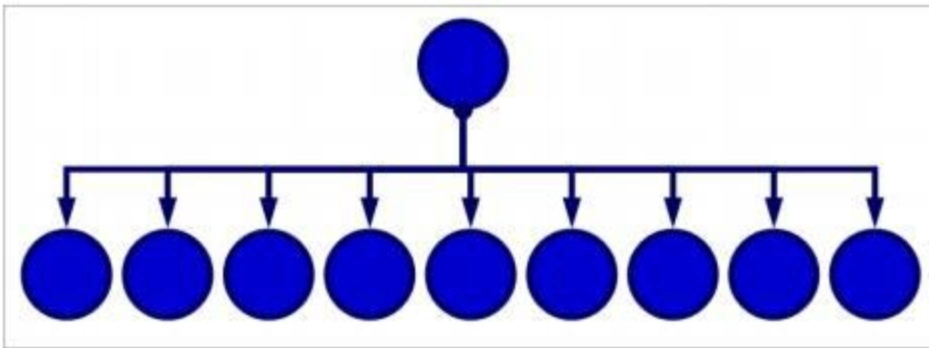
- Close supervision
- Close control of subordinates
- Fast communication

Disadvantages:

- Too much control

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

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



Advantages:

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

Disadvantages:

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

JOB DESIGN:

Job design is about the way that tasks are combined to form complete jobs in the workplace, whilst job redesign has its focus on how existing jobs are changed- for example, by redesigning jobs management may able to increase motivation around, say, the introduction of self-managed work teams.

According to Ibid., “Job design is the process of deciding on the contents of a job in terms of its duties and responsibilities, on the methods to be used in carrying out the job, in term of techniques, systems and procedures and on the relationships that should exist between the jobholder and his superiors, subordinates and colleagues”.

Davis (1966) has defined job design as “the specification of the content, methods and relationships of jobs in order to satisfy technological and organizational requirements as well as the social and personal requirements of the job holder”.

Job design is very important function of staffing. If the jobs are designed properly then highly efficient managers will join the organization. They will be motivated to improve the productivity and profitability of the organization. However, if the jobs are designed badly, then it will result in absenteeism, high labour turnover, conflicts, and other labour problems.

Benefits of Job Design

The following are the benefits of a good job design:

1. Employee Input: A good job design enables a good job feedback. Employees have the option to vary tasks as per their personal and social needs, habits and circumstances in the workplace.

2. Employee Training: Training is an integral part of job design. Contrary to the philosophy of “leave them alone’ job design lays due emphasis on training people so that are well aware of what their job demands and how it is to be done.

3. Work / Rest Schedules: Job design offers good work and rest schedule by clearly defining the number of hours an individual has to spend in his/her job.

4. Adjustments: A good job designs allows for adjustments for physically demanding jobs by minimising the energy spent doing the job and by aligning the manpower requirements for the same.

Job design is a continuous and ever evolving process that is aimed at helping employees make adjustments with the changes in the workplace. The end goal is reducing dissatisfaction, enhancing motivation and employee engagement at the workplace.

STAFFING

Staffing involves filling the positions needed in the organization structure by appointing competent and qualified persons for the job.

The staffing process encompasses man power planning, recruitment, selection, and training.

a) Manpower requirements:

Manpower Planning which is also called as Human Resource Planning consists of putting right number of people, right kind of people at the right place, right time, doing the right things for which they are suited for the achievement of goals of the organization. The primary function of man power planning is to analyze and evaluate the human resources available in the organization, and to determine how to obtain the kinds of personnel needed to staff positions ranging from assembly line workers to chief executives.

b) Recruitment:

Recruitment is the process of finding and attempting to attract job candidates who are capable of effectively filling job vacancies.

Job descriptions and job specifications are important in the recruiting process because they specify the nature of the job and the qualifications required of job candidates.

c) Selection:

Selecting a suitable candidate can be the biggest challenge for any organization. The success of an organization largely depends on its staff. Selection of the right candidate builds the foundation of any organization's success and helps in reducing turnovers.

d) Training and Development:

Training and Development is a planned effort to facilitate employee learning of job-related behaviors in order to improve employee performance. Experts sometimes distinguish between the terms “training” and “development”; “training” denotes efforts to increase employee skills on present jobs, while “development” refers to efforts oriented toward improvements relevant to future jobs. In practice, though, the distinction is often blurred (mainly because upgrading skills in present jobs usually improves performance in future jobs).

RECRUITMENT PROCESS

Recruitment is the process of finding and attempting to attract job candidates who are capable of effectively filling job vacancies. The recruitment process consists of the following steps

- Identification of vacancy
- Preparation of job description and job specification
- Selection of sources
- Advertising the vacancy
- Managing the response

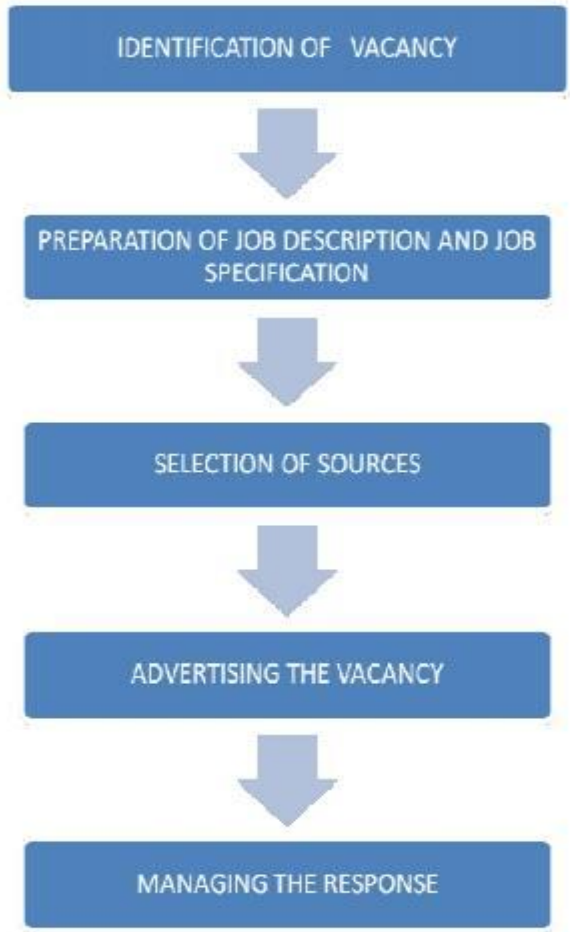
a) Identification of vacancy:

The recruitment process begins with the human resource department receiving requisitions for recruitment from any department of the company. These contain:

- Posts to be filled
- Number of persons
- Duties to be performed
- Qualifications required

b) Preparation of job description and job specification:

A job description is a list of the general tasks, or functions, and responsibilities of a position. It may often include to whom the position reports, specifications such as the qualifications or skills needed by the person in the job, or a salary range. A job specification describes the knowledge, skills, education, experience, and abilities you believe are essential to performing a particular job.



c) Selection of sources:

Every organization has the option of choosing the candidates for its recruitment processes from two kinds of sources: internal and external sources. The sources within the organization itself (like transfer of employees from one department to other, promotions) to fill a position are known as the internal sources of recruitment. Recruitment candidates from all the other sources (like outsourcing agencies etc.) are known as the external sources of the recruitment.

d) Advertising the vacancy:

After choosing the appropriate sources, the vacancy is communicated to the candidates by means of a suitable media such as television, radio, newspaper, internet, direct mail etc.

e) Managing the response:

After receiving an adequate number of responses from job seekers, the sieving process of the resumes begins. This is a very essential step of the recruitment selection process, because selecting the correct resumes that match the job profile, is very important. Naturally, it has to be done rather competently by a person who understands all the responsibilities associated with the designation in its entirety. Candidates with the given skill set are then chosen and further called for interview. Also, the applications of candidates that do not match the present nature of the position but may be considered for future requirements are filed separately and preserved.
The recruitment process is immediately followed by the selection process.

JOB ANALYSIS

Job Analysis is the process of describing and recording aspects of jobs and specifying the skills and other requirements necessary to perform the job.
The outputs of job analysis are

??. Job description

??. Job specification

Job Description

A job description (JD) is a written statement of what the job holder does, how it is done, under what conditions it is done and why it is done. It describes what the job is all about, throwing light on job content, environment and conditions of employment. It is descriptive in nature and defines the purpose and scope of a job. The main purpose of writing a job description is to differentiate the job from other jobs and state its outer limits.

Contents

A job description usually covers the following information:

◦ Job title: Tells about the job title, code number and the department where it is done.
◦ Job summary: A brief write-up about what the job is all about.
◦ Job activities: A description of the tasks done, facilities used, extent of supervisory help, etc.
◦ Working conditions: The physical environment of job in terms of heat, light, noise and other hazards.
◦ Social environment: Size of work group and interpersonal interactions required to do the job.

Job Specification

Job specification summarizes the human characteristics needed for satisfactory job completion. It tries to describe the key qualifications someone needs to perform the job successfully. It spells out the important attributes of a person in terms of education, experience, skills, knowledge and abilities (SKAs) to perform a particular job. The job specification is a logical outgrowth of a job description. For each job description, it is desirable to have a job specification. This helps the organization to find what kinds of persons are needed to take up specific jobs.

Contents

A job specification usually covers the following information:

◦ Education
◦ Experience
◦ Skill, Knowledge, Abilities
◦ Work Orientation Factors
◦ Age

SELECTION PROCESS

Selecting a suitable candidate can be the biggest challenge for any organisation. The success of an organization largely depends on its staff. Selection of the right candidate builds the foundation of any organization's success and helps in reducing turnovers.

Though there is no fool proof selection procedure that will ensure low turnover and high profits, the following steps generally make up the selection process-

a) Initial Screening

This is generally the starting point of any employee selection process. Initial Screening eliminates unqualified applicants and helps save time. Applications received from various sources are scrutinized and irrelevant ones are discarded.

b) Preliminary Interview

It is used to eliminate those candidates who do not meet the minimum eligibility criteria laid down by the organization. The skills, academic and family background, competencies and interests of the candidate are examined during preliminary interview. Preliminary interviews are less formalized and planned than the final interviews. The candidates are given a brief up about the company and the job profile; and it is also examined how much the candidate knows about the company. Preliminary interviews are also called screening interviews.

c) Filling Application Form

An candidate who passes the preliminary interview and is found to be eligible for the job is asked to fill in a formal application form. Such a form is designed in a way that it records the personal as well professional details of the candidates such as age, qualifications, reason for leaving previous job, experience, etc.

d) Personal Interview

Most employers believe that the personal interview is very important. It helps them in obtaining more information about the prospective employee. It also helps them in interacting with the candidate and judging his communication abilities, his ease of handling pressure etc. In some Companies, the selection process comprises only of the Interview.

e) References check

Most application forms include a section that requires prospective candidates to put down names of a few references. References can be classified into - former employer, former customers, business references, reputable persons. Such references are contacted to get a feedback on the person in question including his behaviour, skills, conduct etc.

f) Background Verification

A background check is a review of a person's commercial, criminal and (occasionally) financial records. Employers often perform background checks on employers or candidates for employment to confirm information given in a job application, verify a person's identity, or ensure that the individual does not have a history of criminal activity, etc., that could be an issue upon employment.

g) Final Interview

Final interview is a process in which a potential employee is evaluated by an employer for prospective employment in their organization. During this process, the employer hopes to determine whether or not the applicant is suitable for the job. Different types of tests are conducted to evaluate the capabilities of an applicant, his behaviour, special qualities etc. Separate tests are conducted for various types of jobs.

h) Physical Examination

If all goes well, then at this stage, a physical examination is conducted to make sure that the candidate has sound health and does not suffer from any serious ailment.

i) Job Offer

A candidate who clears all the steps is finally considered right for a particular job and is presented with the job offer. An applicant can be dropped at any given stage if considered unfit for the job.

TRAINING

Training constitutes a basic concept in human resource development. It is concerned with developing a particular skill to a desired standard by instruction and practice. Training is a highly useful tool that can bring an employee into a position where they can do their job correctly, effectively, and conscientiously. Training is the act of increasing the knowledge and skill of an employee for doing a particular job.

Definition of Training:

Dale S. Beach defines training as 'the organized procedure by which people learn knowledge and/or skill for a definite purpose'. Training refers to the teaching and learning activities carried on for the primary purpose of helping members of an organization acquire and apply the knowledge, skills, abilities, and attitudes needed by a particular job and organization.

According to Edwin Flippo, 'training is the act of increasing the skills of an employee for doing a particular job'.

Need for Training:

Every organization should provide training to all the employees irrespective of their qualifications and skills.

Specifically the need for training arises because of following reasons:

1. Environmental changes:

Mechanization, computerization, and automation have resulted in many changes that require trained staff possessing enough skills. The organization should train the employees to enrich them with the latest technology and knowledge.

2. Organizational complexity:

With modern inventions, technological upgradation, and diversification most of the organizations have become very complex. This has aggravated the problems of coordination. So, in order to cope up with the complexities, training has become mandatory.

3. Human relations:

Every management has to maintain very good human relations, and this has made training as one of the basic conditions to deal with human problems.

4. To match employee specifications with the job requirements and organizational needs:

An employee's specification may not exactly suit to the requirements of the job and the organization, irrespective of past experience and skills. There is always a gap between an employee's present specifications and the organization's requirements. For filling this gap training is required.

5. Change in the job assignment:

Training is also necessary when the existing employee is promoted to the higher level or transferred to another department. Training is also required to equip the old employees with new techniques and technologies.

Importance of Training:

Training of employees and mangers are absolutely essential in this changing environment. It is an important activity of HRD which helps in improving the competency of employees. Training gives a lot of benefits to the employees such as improvement in efficiency and effectiveness, development of self confidence and assists every one in self management.

The stability and progress of the organization always depends on the training imparted to the employees. Training becomes mandatory under each and every step of expansion and diversification. Only training can improve the quality and reduce the wastages to the minimum. Training and development is also very essential to adapt according to changing environment.

Types of Training:

Various types of training can be given to the employees such as induction training, refresher training, on the job training, vestibule training, and training for promotions.

Some of the commonly used training programs are listed below:

1. Induction training:

Also known as orientation training given for the new recruits in order to make them familiarize with the internal environment of an organization. It helps the employees to understand the procedures, code of conduct, policies existing in that organization.

2. Job instruction training:

This training provides an overview about the job and experienced trainers demonstrates the entire job. Addition training is offered to employees after evaluating their performance if necessary.

3. Vestibule training:

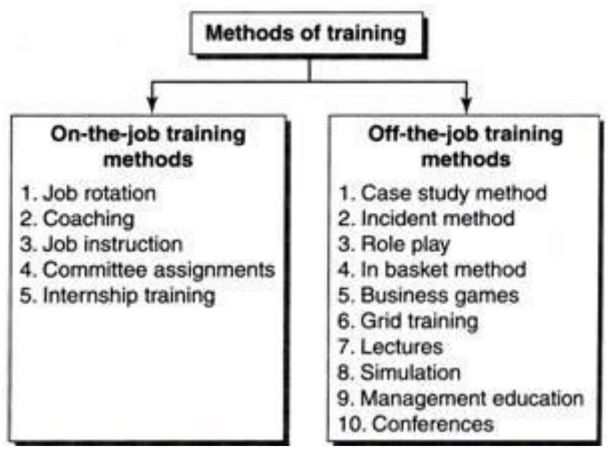
It is the training on actual work to be done by an employee but conducted away from the work place.

4. Refresher training:

This type of training is offered in order to incorporate the latest development in a particular field. This training is imparted to upgrade the skills of employees. This training can also be used for promoting an employee.

5. Apprenticeship training:

Apprentice is a worker who spends a prescribed period of time under a supervisor.



COMPENSATION

Compensation means the total amount of money or remuneration received by an employee in exchange for services he/she provides. In an organization, compensation is earned by employees mostly monthly that includes basic salary, bonuses, incentives, other additions.

Compensation doesn't always mean money, although that's part of it. Compensation comprises several different elements that may be cash and non-cash payments.

List of some of the most common types of compensation:

- Base pay (hourly or salary wages)
- Commissions
- Overtime pay, shift differentials, and longevity pay
- Bonus
- Profit-Sharing distributions

- Merit Pay or recognition
- Incentive plan or achievement award
- Tip income
- Benefits including Dental, insurance, medical, vacation, leaves, retirement, etc.
- Stock options
- Travel/Meal/Housing Allowance
- Child care and tuition assistance
- Gym memberships and free lunches
- Employee assistance programs that provide counseling, legal advice, and other services.
- Health and wellness benefits
- Other non-cash benefits

UNIT-IV

Directing: Foundations of Individual and Group Behaviour – Motivation – Motivational Techniques – Job Enlargement – Job Enrichment – Leadership – Types and Theories of Leadership – Communication – Process of Communication – Barrier in Communication – Effective Communication.

DIRECTING:

- Directing is the process of **driving entire workforce towards objective** of organization without deviation.
- Every organization is **composed of individuals**.
- Unless a manager understands individual's behavior, **he / she cannot get the things done by others**.

FOUNDATIONS OF INDIVIDUAL AND GROUP BEHAVIOUR

INDIVIDUAL BEHAVIOUR:

The various factors that leads to individual differences are **physical characteristics, personality, attitude, memory, etc**.

IMPACT OF INDIVIDUAL BEHAVIOUR:

- Few may feel comfort with rules, few may not.
- Few may prefer democratic leaders and few may autocratic leaders.
- Few may enroll themselves in an union, some may don't.
- Expectations of wages also differ.

BEHAVIORAL MODELS:

1. Rational economic models:

- F.W. Taylor, Henri Fayol, Adam Smith have used this model.
- Individual evaluates various courses of any actions in terms of economic benefits.
- Higher the doses of economic incentives, higher will be the output.

2. Organization man models:

- Whilliam Whyte propounded this model.
- This model proposes that group is the source of creativity for individuals.
- Individual produces more when he has to coordinate with others.

3. Social man:

- Social man concept expresses that performance of an individual is influenced and motivated by social variables.
- Individual relies more on social recognition than economic rewards.

4. Self actualizing man:

- This model is based on Mc Gregors' theory and Maslow's theory.
- Individual is self motivated and self controlled.
- Individual performs to the peak in an environment of freedom and autonomy.

5. Complex man model:

- Proposes that behavior of an individual is unpredictable.
- Individual needs vary and it causes individual differences.

DETERMINANTS OF INDIVIDUAL BEHAVIOUR:

(Factors Influencing Individual Behaviour)

Various factors affecting the individual behaviour is classified into following categories:

??. Personal Factors

??. Environmental Factors

??. Organizational Factors

Personal Factors

Personal factors are of 2 types: Biographic and Learned Characteristics

Biographic Characteristics:

Biographic characteristics are genetic nature and are inherited by individual by their parents or forefathers. These are gifted features that an individual possesses by birth. All of these biographic characteristics are listed below: –

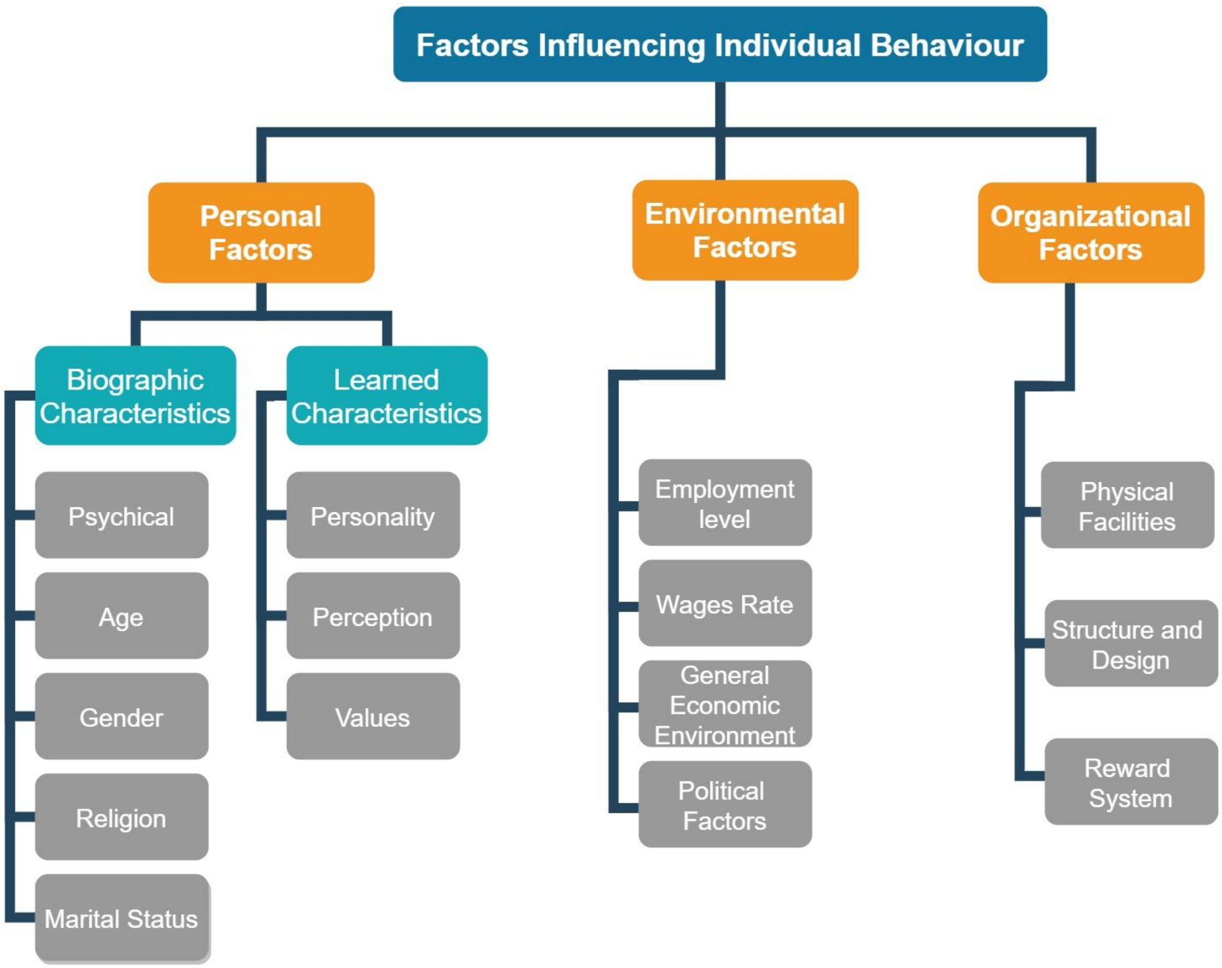
- **Psychical Characteristics-** Personal characteristics relates to skin, complexion, vision, height, weight, size of nose etc. which influence the performance of individual. A person with good physical characteristics have an attractive personality, they dress well and behave gently in an organization.
- **Age-** Age is an individual inherited characteristic that is determined by date of birth. Young people are expected to be more efficient, energetic, risk-taking, innovative and ambitious.
- **Gender-** Gender is an inherited characteristic as being a men or women is genetic in nature. Woman are expected to be more emotional than men and generates high turnover rates. It is due to more likeness of woman quitting their job citing personal reasons.
- **Religion-** Religious values of individual influence distinct aspects of his/her behaviour in organization. Highly religious person is stricter towards following moral values, ethics and code of conduct while performing their roles.
- **Marital Status-** Researcher indicated that with marital status, responsibilities of individual get inclined and for them having steady proper job becomes more important. Such employees have less absences, low turnovers and more job satisfaction.

Learned Characteristics:

Learned characteristics refers to the changes in persons behaviour that comes from his/her interactions with environment.

- **Personality-** Personality solely do not refer to physical characteristics of person but indicates the growth of individual's psychological system. These are the personal traits of persons that comprises of patience, extrovertness, dominance, aggressiveness etc.
- **Perception-** It is a viewpoint of individual through which it interprets a particular situation. Perception is defined as a process via which information enters mind and an interpretation takes place for providing some sensible meaning to world.

- **Values-** These are global beliefs that guides distinct actions and judgements in several situations. It comprises of idea of an individual that is based on good, right and desirable opinions.



Environmental Factors

The external environment has an effective role in influencing the individual behaviour.

- **Employment level-** Employment opportunities available within the country act as a major determinant of individual behaviour. In case of less employment opportunities, he/she will remain stick to same job level irrespective of how much satisfaction is attained. However, if there are more employment opportunities available then employees will shift to other jobs.
- **Wages Rate-** Monetary compensation is a major factor that every employee considers before joining any organization. Therefore, a decision whether to stay in a particular

company or shift anywhere else is taken on the basis of wages he/she is getting.

- **General Economic Environment-** Economic cycle in a country greatly influences the behaviour of individual in an organization. They are subject to retrenchment and layoffs. Job security and a stable income are the most relevant factors of motivation for these type of employees. Whereas, employees of public sector undertakings are not affected by economic position within the country as they receive their fixed salaries irrespective of economic conditions.
- **Political Factors-** Political factors indirectly influences the behaviour of an individual. In a politically stable environment, there will be large opportunities of steady job positions. It will provide better freedom to individual which will influence their career choice, performance and jib design.

Organizational Factors

Wide range of organizational factors influence behaviour of individual which are listed below: –

- **Physical Facilities-** Physical environment at work place have a great influence on behaviour of individual. It comprises of factors like lighting, cleanliness, heat, noise level, office furnishing, strength of workers etc.
- **Structure and Design-** It is concerned with set-up design of departments within an organization. Individual behaviour is influenced by where an individual perfectly fits in a hierarchy of organization.
- **Reward System-** Fair reward system adopted by company for compensating its employees enhances the overall performance and behaviour of individual.

GROUP BEHAVIOUR:

- Group is defined as a cluster of persons who all have came together to pursue activities of common interests.
- In a group, members must be aware of one another.

REASONS TO FORM A GROUP:

- Safety and security needs
- Sense of belonging (tendency to live in group)
- Work extraction power
- Job monotony (relaxation in working environment)
- Goal accomplishment
- Informational need.

TYPES OF GROUP:

- **Formal groups** -- those defined by the organization's structure, with designated work assignments establishing tasks.
- **Informal group** – A group that is neither formally structured nor organizationally determined. Natural formations in the work environment that appear in response to the need for social contact.
- **Command group** – a group composed of the individuals who report directly to a given manager.
- **Task groups** -- also organizationally determined, representing those working together to complete a job task.
- **Interest group** -- people not necessarily aligned into common command or task groups who affiliate to attain a specific objective.
- **Friendship group** – those brought together because they share one or more common characteristics

STAGES OF GROUP DEVELOPMENT:

Forming - Stage 1 - Uncertainty - "test the waters"

Storming - Stage 2 - Intragroup conflict - constraints, who will lead and control?

Norming - Stage 3 - Cohesiveness begins and relationships form

Performing - Stage 4 - The group is fully functional

Adjourning - Stage 5 - For non-permanent teams, it's time to wrap it up

PURPOSE OF GROUP DEVELOPMENT:

1. Mutual acceptance
2. Communication and decision – making
3. Motivation and productivity
4. Control and organization

CHARACTERISTICS OF GROUP DEVELOPMENT:

a) Role play of individuals
b) Cohesiveness
c) Leadership
d) Behaviour of individuals.

MOTIVATION

The word Motivation derives from the Latin word "Movere". The Latin word "Movere" means "To move", "To drive" or "To drive forward" etc.

"Motivation means a process of stimulating people to action to accomplish desired goals."

Motivation can be defined as stimulating, inspiring and inducing the employees to perform to their best capacity. Motivation is a psychological term which means it cannot be forced on employees. It comes automatically from inside the employees as it is the willingness to do the work.

Motivation is an important factor which encourages persons to give their best performance and help in reaching enterprise goals. A strong positive motivation will enable the increased output of employees but a negative motivation will reduce their performance. A key element in personnel management is motivation.

Definition of Motivation

According to Robert Dublin, “Motivation is the complex set of forces starting and keeping a person at work in an organization.”

According to Stanley Vance, “Motivation represents an unsatisfied need which creates a state of tension or disequilibrium, causing the individual to march in a goal-directed pattern, towards restoring a state of equilibrium by satisfying the need.”

Features of motivation

The following are the features of motivation:

• It is an internal feeling and forces a person to action.

• It is a continuous activity.

• It varies from person to person and from time to time.

• It may be positive or negative

Importance of motivation

1. **Proper utilization of production factor:** Motivation is the mechanism which is used to stimulate the employees. Stimulated employees are ready to use the production factor properly and efficiently. So it results in increase in production and productivity.
2. **Willingness and interest creation:** Motivation stimulates the employees in an organization. It influences the willingness of employees to work hard and help to present better performance. It is a process that acts according to desire of employees and increases the willingness and interest of employees to do work.
3. **High productivity:** When the employees are fully motivated there is better performance. It results high production and productivity increment.
4. **Organizational goals:** The machine, equipment, money cannot be effectively used when the employees are not motivated to do the work in an organization to the maximum extent.so it helps to achieve the organizational goals.

5. Readiness for change: Changes are required in every organization. Such changes may be in technology, environment etc. when the changes are introduced in the organization there is tendency to resist them by the employee or hesitate to accept the change. Motivated employees are already made ready to accept the change.

6. Efficiency in work: Motivated employees perform their duties according to the goals of the organization. They perform work efficiently and timely and increase the efficiency

7. Reduce absenteeism: Motivated employees don't want to be absent frequently. In other words, Motivated employees stay in the organization more and non Motivated employees are careless for the organizational goals.

8. Employees' satisfaction: Employee's satisfaction is an important aspect for the managerial point of view. Employees may be motivated by fulfilling their needs and giving satisfaction in their work. In short Motivated employees are always satisfied.

9. Fewer disputes and strikes: Disputes and strikes are harmful for organizational activities. When the employees are not motivates they are dissatisfies which creates disputes in the organization.

10. **Better human relation:** All employees must be treated as human beings by the organization. Motivation I mainly related to behave the human beings.

Motivational Techniques

The types and techniques of motivation refer to different methods of motivating employees. All such methods are based on an application of different motivation theories. Some of the important methods or types are as follows:

1. Participation

Participation refers to an activity involving employees in management decision making and planning activities. Participation of employees in formulating corporate plans and policies provides the feeling of belonging, recognition, acceptance, accomplishment, and responsibility. As a result, employees will be motivated for a higher level of performance.

2. Behavioral Motivation

This refers to the process of enhancing employee's behavior with the help of different tools and techniques. Because the changed behavior of employees can motivate themselves towards the higher level of performance. This also increases their job responsibility.

3. Money and Financial Benefits

Money and financial benefits are generated externally. They are provided in terms of pay, incentives, benefits, and other tangible services. This works as a ‘carrot’ for motivating employees.

4. Work Group

Under it, employees are categorized into different work units to fulfill their different societal needs. Then the employees are allowed to work in the group, and they discuss the quality and productivity thereby finding out the causes of deficiencies. Hence, employees are self-motivated and self-directed towards the attainment of organizational jobs and responsibilities,

5. Profit Sharing Plans

It is another way of motivating employees by allowing them a certain percentage of profit. When employees directly participate in the profit of the company, they can be motivated towards earning the better profit.

6. Skill-Based Pay

This method of motivation is concerned with paying employees on the basis of skill held by them while performing the tasks. By doing so, highly skilled employees will be directly motivated towards a higher level of job performance. Similarly, employees with lower skills are induced to improve their skills and knowledge.

7. Flexible Return

This means the designation of a pay system or incentive plan which is based on attempt shown by the employees in the actual workstation. If individual’s efforts and attempts are recognized by some sorts of considerations they can motivate themselves for the higher level of performance.

8. Representation

It is another important form of motivating employees. Under this technique, employees are appointed in management committee to participate in decision-making activities. If the employees get representation in the management, they can present their opinions, feelings, ideas, and views clearly. Ultimately, this leads them towards their commitment to work.

Job Enlargement:

Job enlargement is a technique by which scope of the job is increased by increasing the number of tasks associated with the job but at the same level in the organisation. It is the horizontal expansion of job as it includes performing a variety of jobs or operations at the same time. It is done to reduce monotony in a job.

E.g. A person is administration who is doing typing work may also be assigned the tasks of drafting letters, sorting of incoming mail and filing the letters.

Advantages of Job Enlargement

1. **Variety of tasks**: In job enlargement, horizontal loading of the tasks is there. Increasing the number of tasks can reduce the level of boredom of the employees.
2. **Optimum utilisation of abilities:** Enlarged jobs ensure better utilisation of the physical and mental skills abilities of the workers.
3. **Worker paced control:** The workers enjoy his work more, if they control the pace of their tasks. This reduces fatigue and exertion.
4. **Meaningful feedback:** Enlarged jobs allow for a meaningful performance feedback. It becomes more motivating when it is tied to evaluations and organisational rewards.

Disadvantages of Job Enlargement

1. **Increases work burden:** - Job enlargement increases the work of the employee and every organisation does not provide incentives or extra salary for additional work. Therefore, the efforts of the individual may remain unrecognized.
2. **Increases frustration of the employee:** - In many cases employees end up being frustrated because increased activities do not result in increased salaries.
3. **Problem with union members:** - Many union members may misunderstand job enlargement as exploitation of worker and may object it.

Job Enlargement:

Job enlargement is a job design technique wherein there is an increase in the number of tasks associated with a certain job. In other words, it means increasing the scope of one's duties and responsibilities. The increase in scope is quantitative in nature and not qualitative and at the same level.

Job enlargement is a horizontal restructuring method that aims at increase in the workforce flexibility and at the same time reducing monotony that may creep up over a period of time. It is also known as horizontal loading in that the responsibilities increase at the same level and not vertically.

Benefits of Job Enlargement

The following are the major benefits of Job enlargement

a) Reduced Monotony: Howsoever interesting the job may appear in the beginning, sooner or later people complain of boredom and monotony. Job enlargement if planned carefully can help reduce boredom and make it more satisfying and fulfilling for the employees.

b) Increased Work Flexibility: There is an addition to the number of tasks an individual performs. There is thus an increased scope of carrying out tasks that are versatile and yet very similar in certain aspects.

c) No Skills Training Required: Since the individual has already been performing the task in the past, there is no great requirement for imparting of new skills. However people and time management interventions may be required. The job thus gets more motivational for the one performing it.

Job Enrichment and Job Enlargement

a) The difference between job enrichment and job enlargement is essentially of quantity and quality. Whereas job enlargement means increasing the scope of job quantitatively by adding up more tasks, job enrichment means improvement in the quality of job such that employees are more satisfied and fulfilled.

b) Through job enrichment an employee finds satisfaction and contentment in his job and through job enlargement employee feels more responsible and worthwhile in the organization.

c) Job enrichment entails the functions of planning and organizing and enlargement involves execution of the same. Both complement each other, in that job enrichment empowers and enlargement executes.

d) Job enrichment depends upon job enlargement for success and the reverse in not true.

e) Job enrichment means a vertical expansion in duties and responsibilities and span of control whereas in job enlargement the expansion is horizontal in nature.

Job enrichment has been found to have greater impact in terms of motivation when compared to job enlargement. Since enrichment gives employee greater insights in managerial functioning and a better work profile, it is looked upon as an indicator of growth and development. The same is not true in case of job enlargement which is seen as an employer tactic to increase the workload.

LEADERSHIP

Leadership is a process by which an executive can direct, guide and influence the behavior and work of others towards accomplishment of specific goals in a given situation. Leadership is the ability of a manager to induce the subordinates to work with confidence and zeal.

Leadership is the potential to influence behaviour of others. It is also defined as the capacity to influence a group towards the realization of a goal. Leaders are required to develop future visions, and to motivate the organizational members to want to achieve the visions.

According to Keith Davis, “Leadership is the ability to persuade others to seek defined objectives enthusiastically. It is the human factor which binds a group together and motivates it towards goals.”

Characteristics of Leadership

a) It is an inter-personal process in which a manager is into influencing and guiding workers towards attainment of goals.

b) It denotes a few qualities to be present in a person which includes intelligence, maturity and personality.

c) It is a group process. It involves two or more people interacting with each other.

d) A leader is involved in shaping and moulding the behaviour of the group towards accomplishment of organizational goals.

e) Leadership is situation bound. There is no best style of leadership. It all depends upon tackling with the situations.

Types of Leadership:

All leaders do not possess same attitude or same perspective. Few leaders adopt the carrot approach and a few adopt the stick approach. Thus, all of the leaders do not get the things done in the same manner. Their style varies. The leadership style varies with the kind of people the leader interacts and deals with. A perfect/standard leadership style is one which assists a leader in getting the best out of the people who follow him.

Some of the important leadership styles are as follows:

- **Autocratic leadership style:**

In this style of leadership, a leader has complete command and hold over their employees/team. The team cannot put forward their views even if they are best for the team's or organizational interests. They cannot criticize or question the leader's way of getting things done. The leader himself gets the things done. The advantage of this style is that it leads to speedy decision-making and greater productivity under leader's supervision. Drawbacks of this leadership style are that it leads to greater employee absenteeism and turnover. This leadership style works only when the leader is the best in performing or when the job is monotonous, unskilled and routine in nature or where the project is short-term and risky.

- **The Laissez Faire Leadership Style:**

Here, the leader totally trusts their employees/team to perform the job themselves. He just concentrates on the intellectual/rational aspect of his work and does not focus on the management aspect of his work. The team/employees are welcomed to share their views and provide suggestions which are best for organizational interests. This leadership style works only when the employees are skilled, loyal, experienced and intellectual.

- **Democrative/Participative leadership style:**

The leaders invite and encourage the team members to play an important role in decision-making process, though the ultimate decision-making power rests with the leader. The leader guides the employees on what to perform and how to perform, while the employees communicate to the leader their experience and the suggestions if any. The advantages of this leadership style are that it leads to satisfied, motivated and more skilled employees. It leads to an optimistic work environment and also encourages creativity. This leadership style has the only drawback that it is time-consuming.

- **Bureaucratic leadership:**

Here the leaders strictly adhere to the organizational rules and policies. Also, they make sure that the employees/team also strictly follows the rules and procedures. Promotions take place on the basis of employees' ability to adhere to organizational rules. This leadership style gradually develops over time. This leadership style is more suitable when safe work conditions and quality are required. But this leadership style discourages creativity and does not make employees self-contented.

Theories of Leadership

1. Contingency Theory

The contingency theory proposes that there is no single management style and leadership that can be applied to every situation. This theory recognises that several different variables can influence a situation. A leader must be able to choose the right path of action after considering all these variables.

In regards to this, researchers Hodgson and White stated that leadership's effectiveness depends on striking the perfect balance between context, needs, and behaviour. Successful leaders are the ones who not only possess the right traits but also have the ability to assess the needs of their followers, the ability to analyse particular situations depending on the variables and to act accordingly.

2. Situational Leadership Theory

Similar to the Contingency Theory, this theory focuses on the importance of situational factors and variables. It does not consider any particular leadership style to be better than the other. Paul Hersey, a US professor and leadership guru, Ken Blanchard, feel that the situational theory comprises two main factors – the maturity level of the followers and the leadership style. The situational leadership theory suggests that different situations call for different leadership styles and decision-making styles. A leader should be able to act by judging the situation that they are put into.

3. Transformational Leadership Theory

Also known as Relationship theory, the transformational leadership theory mainly focuses on the relationship built between the leader and followers. It talks about the kind of inspirational leader and encourages followers to become better at their tasks. They are charismatic and transform their followers to perform better.

These leaders are the ones who are motivated to show their followers that there is a greater good involved in performing a certain activity. They also want to make their followers understand the significance of a particular task. A transformational leader is now only focused on team performance and gives the individuals in the team a chance to reach their potential. It will help them sharpen their leadership skills.

4. Transactional Theories

Also known as Management theories or exchange theories of leadership, transactional theories mainly revolve around supervision, teamwork, and organisation. In this theory, the basis of leadership is rewards and punishment. It is often used in businesses, and rewards are given to the employees to motivate them to perform better.

5. Great Man Theory of Leadership

One of the earliest forms of leadership, the Great Man Theory of Leadership, assumes that a leader has inborn skills and is not made. They are born. The theory suggests that a person capable of leading a group of people has certain personality traits such as confidence, intellect, charm, communication skills, and social aptitude. The theory believed that these skills are present within a leader from birth and thus sets them apart.

This theory presumes that you already possess the leadership qualities from birth and cannot be learned. This may sound quite discouraging if you want to learn the ropes of leadership, but you must know that several modern theorists dismiss this practice. The Great Man Theory is an interesting take on leadership and highlights the qualities of leadership that have remained unchanged over a period of time.

6. Behavioral Theory

In behavioural theory, the emphasis is placed on the leaders' behaviour and actions as opposed to their traits or qualities. This theory is in sharp contrast to the Great Man Theory and considers effective leadership to be a result of learning various skills or acquiring skills over time. An individual can learn how to be a leader. This theory is often known as the best leadership theory.

7. Trait Theory of Leadership

Walking in the footsteps of the Great Man theory, the trait theory assumes that most leaders are born with the traits that make them suitable for leadership when compared to others who are born without these natural leadership traits. The trait theory of leadership pinpoints certain traits or qualities such as accountability, intelligence, a sense of responsibility, creativity, and more. These qualities allow an individual to excel in leadership. The biggest flaw of this theory is not offering a conclusive list of traits that are considered to be leadership traits. However, it showcases the significance of traits that are supported by the particular research and helps you improve your leadership skills.

COMMUNICATION

◦ Communication is giving, receiving or exchanging ideas, data, information, signals or messages through appropriate media, enabling individuals or groups to persuade, to seek information, to give information or to express emotions.

◦ Communication is usually a two-way process.

◦ It is not just giving information or signaling someone; it also involves the comprehension of the information or the signal by the receiver.

◦ When the act of giving information or sending message reaches the recipient and gets comprehended by him/her and the receiver sends feedback as desired by the sender, the process of communication is said to be complete.

◦ Communication, therefore, involves more than one person.

◦ Communication is a continuous and dynamic process involving more than one person.

◦ It is a cyclic process denoting continuous flow of information. It essentially involves sender, message and recipient.

DEFINITION OF COMMUNICATION

◦ According to G.G. Brown, "Communication is transfer of information from one person to another, whether or not it elicits confidence. But the information transferred must be understandable to the receiver."

◦ According to Louis A. Allen, "Communication is the sum of all the things one person does when he wants to create understanding in the mind of another. It is a bridge of meaning. It involves a systematic and continuous process of telling, listening and understanding."

◦ According to Fred G. Meyer, "Communication is the intercourse by words, letters or messages".

◦ According to Keith Davis, "Communication is the process of passing information and understanding from one person to another."

IMPORTANCE OF COMMUNICATION

1. The Basis of Co-ordination

The manager explains to the employees the organizational goals, modes of their achievement and also the interpersonal relationships amongst them. This provides coordination between various employees and also departments. Thus, communications act as a basis for coordination in the organization.

2. Fluent Working

A manager coordinates the human and physical elements of an organization to run it smoothly and efficiently. This coordination is not possible without proper communication.

3. The Basis of Decision Making

Proper communication provides information to the manager that is useful for decision making. No decisions could be taken in the absence of information. Thus, communication is the basis for taking the right decisions.

Learn more about Barriers of Communication here in detail.

4. Increases Managerial Efficiency

The manager conveys the targets and issues instructions and allocates jobs to the subordinates. All of these aspects involve communication. Thus, communication is essential for the quick and effective performance of the managers and the entire organization.

5. Increases Cooperation and Organizational Peace

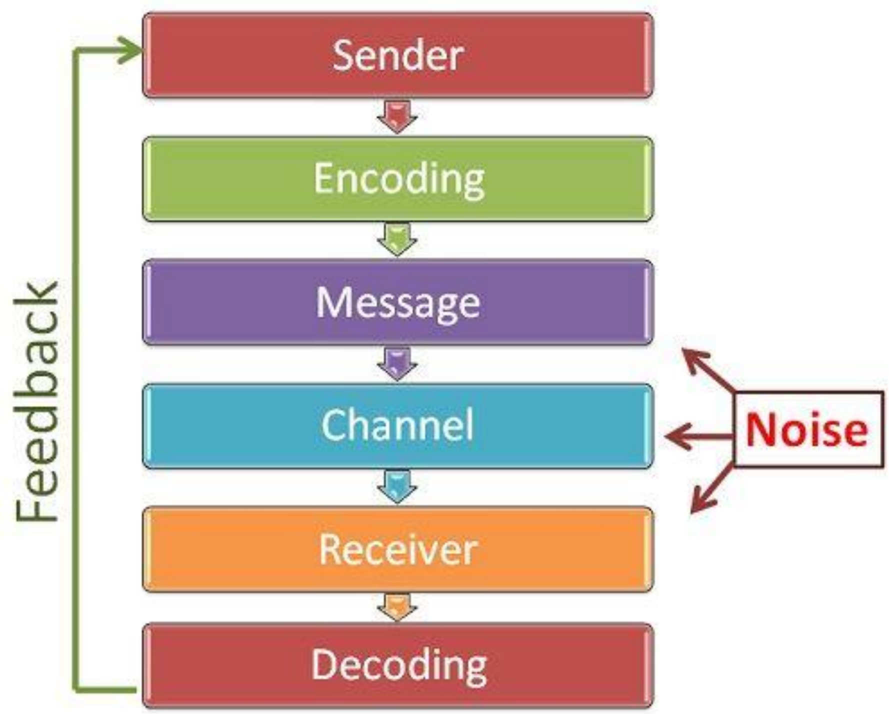
The two-way communication process promotes co-operation and mutual understanding amongst the workers and also between them and the management. This leads to less friction and thus leads to industrial peace in the factory and efficient operations.

6. **Boosts Morale of the Employees**

Good communication helps the workers to adjust to the physical and social aspect of work. It also improves good human relations in the industry. An efficient system of communication enables the management to motivate, influence and satisfy the subordinates which in turn boosts their morale and keeps them motivated.

PROCESS OF COMMUNICATION

Communications is a continuous process which mainly involves three elements viz. sender, message, and receiver. The elements involved in the communication process are explained below in detail:



1. Sender

The sender or the communicator generates the message and conveys it to the receiver. He is the source and the one who starts the communication

2. Encoding

The message generated by the sender is encoded symbolically such as in the form of words, pictures, gestures, etc. before it is being conveyed.

3. Message

It is the idea, information, view, fact, feeling, etc. that is generated by the sender and is then intended to be communicated further.

4. Media

It is the manner in which the encoded message is transmitted. The message may be transmitted orally or in writing. The medium of communication includes telephone, internet, post, fax, e-mail, etc. The choice of medium is decided by the sender.

5. Decoding

It is the process of converting the symbols encoded by the sender. After decoding the message is received by the receiver.

6. Receiver

He is the person who is last in the chain and for whom the message was sent by the sender. Once the receiver receives the message and understands it in proper perspective and acts according to the message, only then the purpose of communication is successful.

7. Feedback

Once the receiver confirms to the sender that he has received the message and understood it, the process of communication is complete.

8. Noise

It refers to any obstruction that is caused by the sender, message or receiver during the process of communication. For example, bad telephone connection, faulty encoding, faulty decoding, inattentive receiver, poor understanding of message due to prejudice or inappropriate gestures, etc.

BARRIERS TO COMMUNCATION

The communication barriers may prevent communication or carry incorrect meaning due to which misunderstandings may be created. Therefore, it is essential for a manager to identify such barriers and take appropriate measures to overcome them.

1. Semantic Barriers

These are concerned with the problems and obstructions in the process of encoding and decoding of a message into words or impressions. Normally, such barriers result due to use of wrong words, faulty translations, different interpretations, etc.

For example, a manager has to communicate with workers who have no knowledge of the English language and on the other side, he is not well conversant with the Hindi language. Here, language is a barrier to communication as the manager may not be able to communicate properly with the workers.

2. Psychological Barriers

Emotional or psychological factors also act as barriers to communication. The state of mind of both sender and receiver of communication reflects in effective communication. A worried person cannot communicate properly and an angry recipient cannot understand the message properly.

Thus, at the time of communication, both the sender and the receiver need to be psychologically sound. Also, they should trust each other. If they do not believe each other, they cannot understand each other's message in its original sense.

3. Organizational Barriers

The factors related to organizational structure, rules and regulations authority relationships, etc. may sometimes act as barriers to effective communication. In an organization with a highly centralized pattern, people may not be encouraged to have free communication. Also, rigid rules and regulations and cumbersome procedures may also become a hurdle to communication.

4. Personal Barriers

The personal factors of both sender and receiver may act as a barrier to effective communication. If a superior thinks that a particular communication may adversely affect his authority, he may suppress such communication.

Also, if the superiors do not have confidence in the competency of their subordinates, they may not ask for their advice. The subordinates may not be willing to offer useful suggestions in the absence of any reward or appreciation for a good suggestion.

OVERCOMING COMMUNICATION BARRIERS

1. **Eliminating differences in perception:**

The organization should ensure that it is recruiting right individuals on the job. It's the responsibility of the interviewer to ensure that the interviewee has command over the written and spoken language. There should be proper Induction program so that the policies of the company are clear to all the employees. There should be proper trainings conducted for required employees (for eg: Voice and Accent training).

2. **Use of Simple Language:**

Use of simple and clear words should be emphasized. Use of ambiguous words and jargons should be avoided.

3. **Reduction and elimination of noise levels:**

Noise is the main communication barrier which must be overcome on priority basis. It is essential to identify the source of noise and then eliminate that source.

4. **Active Listening:**

Listen attentively and carefully. There is a difference between “listening” and “hearing”. Active listening means hearing with proper understanding of the message that is heard. By asking questions the speaker can ensure whether his/her message is understood or not by the receiver in the same terms as intended by the speaker.

5. **Emotional State:**

During communication one should make effective use of body language. He/she should not show their emotions while communication as the receiver might misinterpret the message being delivered. For example, if the conveyer of the message is in a bad mood then the receiver might think that the information being delivered is not good.

6. **Simple Organizational Structure:**

The organizational structure should not be complex. The number of hierarchical levels should be optimum. There should be a ideal span of control within the organization. Simpler the organizational structure, more effective will be the communication.

7. **Avoid Information Overload:**

The managers should know how to prioritize their work. They should not overload themselves with the work. They should spend quality time with their subordinates and should listen to their problems and feedbacks actively.

8. **Give Constructive Feedback:**

Avoid giving negative feedback. The contents of the feedback might be negative, but it should be delivered constructively. Constructive feedback will lead to effective communication between the superior and subordinate.

EFFECTIVE COMMUNICATION

The characteristics or principles of effective communication are pivotal for ensuring a productive communication. The major characteristics are as follows −

Completeness of the Message

Communication must be complete so as not to baffle the recipient. Better communication helps in better decision-making by the latter. It develops and enhances the reputation of an organization.

Clearness and Integrity of the Message

The message to be conveyed or sent must have clarity and integrity for better understanding. Clarity of thoughts and ideas enhances the meaning of the message. The pith and substance of the message should be based on honesty and accuracy.

Conciseness of the Message

The intended message must be free from verbosity and should be so written that it is intelligible at the first sight. Short and intelligible message sent to the receiver is ever appealing and comprehensible. It saves time and cost as it is understood at the first instance.

Consideration of Physical Setting and the Recipient

In order to make communication more effective, the overall physical setting, i.e., the media of communication and the work environment, must be considered. The content of the message must take into account the attitude, knowledge, and position of the recipient.

Clarity of the Message

The message should have clarity of thoughts and ideas in order to be understood clearly. Clear message makes use of exact, appropriate and concrete words and symbols.

Courtesy to be maintained

The sender's message should be so drafted or prepared that it should be polite, reflective, and enthusiastic. It must show the sender's respect for the receiver and be positive and focused at the receiver.

Correctness of the Message

The drafting of the message should be done in such a manner that the final message doesn't have any grammatical errors and repetitions of sentences. The message should be exact, correct and well-timed.

CONTROLLING:

Controlling consists of verifying whether everything occurs in confirmities with the plans adopted, instructions issued and principles established. Controlling ensures that there is effective and efficient utilization of organizational resources so as to achieve the planned goals. Controlling measures the deviation of actual performance from the standard performance, discovers the causes of such deviations and helps in taking corrective actions

According to Brech, "Controlling is a systematic exercise which is called as a process of checking actual performance against the standards or plans with a view to ensure adequate progress and also recording such experience as is gained as a contribution to possible future needs."

According to Donnell, "Just as a navigator continually takes reading to ensure whether he is relative to a planned action, so should a business manager continually take reading to assure himself that his enterprise is on right course."

Controlling has got two basic purposes

i) It facilitates co-ordination

ii) It helps in planning

Features of Controlling Function

Following are the characteristics of controlling function of management-

- **Controlling is an end function**- A function which comes once the performances are made in confirmities with plans.
- **Controlling is a pervasive functio**n- which means it is performed by managers at all levels and in all type of concerns.
- **Controlling is forward looking**- because effective control is not possible without past being controlled. Controlling always look to future so that follow-up can be made whenever

required.

- **Controlling is a dynamic process**- since controlling requires taking reviewal methods, changes have to be made wherever possible.
- **Controlling is related with planning**- Planning and Controlling are two inseperable functions of management. Without planning, controlling is a meaningless exercise and without controlling, planning is useless. Planning presupposes controlling and controlling succeeds planning.

Process of Controlling

Controlling as a management function involves following steps:

1. **Establishment of standards**-

Standards are the plans or the targets which have to be achieved in the course of business function. They can also be called as the criterions for judging the performance. Standards generally are classified into two-

a) Measurable or tangible - Those standards which can be measured and expressed are called as measurable standards. They can be in form of cost, output, expenditure, time, profit, etc.

b) Non-measurable or intangible- There are standards which cannot be measured monetarily. For example- performance of a manager, deviation of workers, their attitudes towards a concern. These are called as intangible standards.

Controlling becomes easy through establishment of these standards because controlling is exercised on the basis of these standards.

2. Measurement of performance-

The second major step in controlling is to measure the performance. Finding out deviations becomes easy through measuring the actual performance. Performance levels are sometimes easy to measure and sometimes difficult. Measurement of tangible standards is easy as it can be expressed in units, cost, money terms, etc. Quantitative measurement becomes difficult when performance of manager has to be measured. Performance of a manager cannot be measured in quantities. It can be measured only by-

a) Attitude of the workers,

b) Their morale to work,

c) The development in the attitudes regarding the physical environment, and

d) Their communication with the superiors.

It is also sometimes done through various reports like weekly, monthly, quarterly, yearly reports.

3. Comparison of actual and standard performance-

Comparison of actual performance with the planned targets is very important. Deviation can be defined as the gap between actual performance and the planned targets. The manager has to find out two things here- extent of deviation and cause of deviation. Extent of deviation means that the manager has to find out whether the deviation is positive or negative or whether the actual performance is in conformity with the planned performance. The managers have to exercise control by exception. He has to find out those deviations which are critical and important for business. Minor deviations have to be ignored. Major deviations like replacement of machinery, appointment of workers, quality of raw material, rate of profits, etc. should be looked upon consciously. Therefore it is said, " If a manager controls everything, he ends up controlling nothing." For example, if stationery charges increase by a minor 5 to 10%, it can be called as a minor deviation. On the other hand, if monthly production decreases continuously, it is called as major deviation.

Once the deviation is identified, a manager has to think about various cause which has led to deviation. The causes can be-

a) Erroneous planning,

b) Co-ordination loosens,

c) Implementation of plans is defective, and

d) Supervision and communication is ineffective, etc.

e) Taking remedial actions-

Once the causes and extent of deviations are known, the manager has to detect those errors and take remedial measures for it. There are two alternatives here-

f) Taking corrective measures for deviations which have occurred; and

g) After taking the corrective measures, if the actual performance is not in conformity with plans, the manager can revise the targets. It is here the controlling process comes to an end. Follow up is an important step because it is only through taking corrective measures, a manager can exercise controlling.

TECHNIQUES OF CONTROLLING

Business concerns have been using a number of devices for the purpose of controlling. Broadly, all the devices of control can be classified into

(a) budgetary control devices and

(b) non-budgetary control devices.

Budgetary control devices include budgets such as production budget, cash budget, capital budget, sales budget etc., while non-budgetary control devices consist of managerial statistics, break-even analysis, internal audit, cost accounting, etc.

Budgeting or Budgetary control

A budget is a financial or quantitative statement prepared for a definite period of time. It states the policy to be pursued during that period for the purpose of attaining a given objective. It provides standards for comparison with the results actually achieved.

According to George R. Terry, "Budget is an estimate of future needs, arranged to an orderly basis, covering some or all of the activities of an enterprise for a definite period of time".

In the words of Professor Larders, "the essence of a budget is a detailed plan of preparations for some specified future period, followed by a system of records which will serve as a check upon the plan".

Budgeting is the process of preparing budgets whereas budgetary control is a device or technique of managerial control through budgets.

According to J.Batty, "Budgetory control is a system which uses budgets as a means of planning and controlling all aspects of producing and/or selling commodities or services".

Thus, budgetary control is planning in advance of the various aspects of business can be controlled. The important characteristics of budgetary control are: planning of activities of each department, co-ordination among various departmental plans, recording of actual performance, comparison between budgets standards and actual performance, determining the deviations, if any, finding out the reasons for deviations and taking of follow-up action.

Essentials of Effective Budgetary control

(1) **Effective Organisation:** The concern should be effectively organised and the responsibilities of each departmental managers are clearly defined and the line of authority sharply drawn.

(2) **Quick reporting:** The subordinates must send reports on performance without any delay. The managers on their part must analyse the report and take necessary action immediately.

(3) **Support of top management:** The top management must have a clear idea of the objectives of budgetary control and should implement the budgetary control programme seriously in order to infuse a sense of seriousness among the subordinates.

(4) **Reward and Punishment:** The employees whose performance is according to the budget plans should be suitably rewarded and the employees whose performance is not as per budget should not go unpunished.

(5) **Appropriate Authority:** The employees who are entrusted with the responsibilities of implementation of budgetary control should also be given appropriate authority to do so. If a person lacks authority to enforce his decision, it is difficult for him to fulfill his responsibilities

(6) **Flexibility:** If the circumstances warrant, the management should not hesitate to alter the budget figures. But at the same time, care must be taken to see that the budget figures are not altered too much or too often.

Classification of Budgets

Budgets may be classified on the basis of purposes for which they are prepared. On this basis, we have the following types of budgets.

(1) Cash budget:

Cash budget gives the estimated receipts and payments for the budget period and indicates the position of cash arising from it. It shows the cash requirements at various times of the budget period and helps the management in planning and arranging cash for the business concern. Thus, it ensures that a business concern never suffers from a shortage of funds. In additions, the cash budget helps the management in controlling and coordinating the activities concerned with receipts and payments.

(2) Capital Budget:

Capital budget gives the estimates in respect of the capital resources of the business concern. It also states the plans with the estimated cost for investment, expansion, replacement, etc. Thus the budget serves as a device for planning capital expenditure.

(3) Sales Budget:

Sales budget gives a comprehensive sales programme and plans for a specific period. It states the sales potential in terms of quantity, values, period, product, etc. Sales budget is one of the important budgets because it is the basis for preparing other types of budgets. Generally, the sales manager prepares the sales budget with the assistance of sales supervisor, salesman, market research officers and other connected with sales. For preparing the sales budget, factors such as the price trend of the product, population trend, customer's purchasing power, extent of advertising, past sales, nature of competition, economic situation in the country etc. are considered.

(4) Selling and Distribution Cost Budget:

This budget gives the cost of selling and distribution of the products during the budget period. It includes costs of selling and distribution such as cost of insurance, packing, storing, transport, advertisement, sales commission, market research etc. Generally, the sales manager, advertising manager and distribution manager take responsibility to prepare the budget.

(5) **Production Budget:**

This budget is also known as output budget and is based on sales budget. It indicates the quantity of units to be produced during the budget period. This budget helps in maintaining optimum balance between production, sales inventory position of the firm. This budget is prepared by the production manager.

(6) **Production Cost Budget:**

Production cost budget which is based on the production budget, lays down the estimated cost of carrying out the plans relating to production. Production cost budget is sub-divided in to various sub-budgets like labour budgets, raw material budget, production overhead budget, etc.

(7) Labour Budget:

Labour budget gives the estimated requirements of labour for carrying out the estimated production during the budget period. It may state both direct and indirect labour requirements. Generally, the personnel department prepares the labour budget in coordination with other concerned departments.

(8) Raw Material Budget:

This budget which is prepared by the production department gives the estimated requirements of raw materials of different types for carrying out production during the budget period.

(9) **Production Overhead Budget:**

This budget lays down the estimates of all production overheads to be incurred for carrying out the estimated production during the budget period. It breaks up the production overheads into fixed overheads, variable overheads and semi-variable overheads.

(10) Master Budget:

Master budget is summary of all functional budgets and indicates how they affect the business as a whole. A master budget generally includes particulars regarding sales, production, cash position, fixed assets, labour, factory overhead, administration overhead, and selling and distribution overhead, major financial ratios and profit.

Advantages of Budgetary Control

Some of the important advantage of budgetary control are as follows:

(1) The various functional budgets state clearly the limits for expenses and also the results expected in a given period. By this, the uncertainties that may have to be faced by the enterprise are eliminated. Further, it should be possible for the enterprise to adopt a planned approach to

various activities of the enterprise.

(2) As limits and authority of each manager are laid down in the budget, the management should delegate authority and responsibilities without sacrificing the overall control of the enterprise.

(3) Generally, the budgets are prepared by committee consisting of important executives of the enterprise and this provides to the enterprise the fruits of combined wisdom.

(4) Budgetary control tries to keep the expenditure within control and also to achieve the targets laid down. This keeps everybody always alert and encourages the optimum use of the enterprise resources.

(5) Budgetary. Control helps in finding out the deviations from the predetermined standards and by this, the management is enable to take suitable corrective action promptly. It means wastages and losses of the business concern are reduced to the minimum.

(6) Budgetary control is concerned with the activities of various departments which are inter-related or inter-connected. This may help in promoting co-operation and team sprit among the employees of the different departments.

(7) Budgetary control involves the communication of management's policy and objectives to all the managers. Again, the reports of actual performance against the budget, how each manager has fared, what actions are necessary etc., are communicated to the managers. Thus, Budgetary control ensures proper communication in the enterprise.

(8) Budgetary control involves two function viz., (a) planning for its own future performance and (b) control to ensure adherence to the plans laid down. Thus, budgetary control ensures proper performance of the above two managerial functions.

Limitations of Budgetary Control

Budgetary control is not a fool-proof tool and it has some limitations. They are:

(1) Since an effective budgetary programme reveals the performance of employees, there may not be wholehearted co-operation from inefficient employees for budgetary programmes.

(2) Budgets are based on estimates and hence the effectiveness of budgetary control depends on the accuracy with which the estimates are made about the future.

(3) Conditions and circumstances under which an enterprise functions are not static and hence,

budgetary control to be effective must be so flexible as to suit the requirements of any change in the circumstances. But it is very difficult to attain flexibility in budget making.

(4) Budgetary control will not be effective if no arrangements are made for proper supervision and administration.

(5) Budgeting is only one of the tolls of management. But often budgeting is taken as a substitute for management rather than as a tool of management. This may íesult in harmful consequences for the business.

(6) Budgetary control programme is very cumbersome and time consuming process.

(7) The manager is discouraged from undertaking activities for which provision was not been made in the budget, but which are otherwise useful for the enterprise. Thus, the managers are discouraged from taking initiative.

Non Budgetary Control Devices

(1) Cost Control

Cost control includes techniques such as (a) Cost Accounting, (b) Standard Costing and (c) Break-even point analysis.

A. Cost Accounting:

Profits of a business enterprise depend very much on the cost of production. Because of this, cost accounting and cost control are given the much importance by the business concerns. Costs are incurred by an enterprise for different types of activities. Management uses a number of systems for determining the cost of products and services. The management by keeping in view the nature of each industry, designs the cost accounting procedures, methods and records for effective cost control and cost reduction.

Advantages:

The costing system provides a number of benefits to the management. They are:

(1) By avoiding all types of wastes and by more effective utilisation of labour and machine, it helps in reducing real cost of production.

(2) It helps in ascertaining the reasons for variation in the rate of profit.

(3) By highlighting the costs incurred and the profit earned by different departments, it provides a basis for future production policies.
(4) It helps in discovering which activities of the enterprises are profitable and which are unprofitable. The management may eliminate unprofitable activities in order to reduce losses.
(5) It helps the management in making decisions. For example a decision relating to whether to make or buy a product can be taken with the help of cost accounts.

B. Standard Costing:

Standards costing is one of the important techniques of cost control used buy the business concerns. The steps involved to standard costing are as follows.
(a) Deciding cost standards for various components of costs such as labour overheads, raw materials etc.
(b) Management of actual performance.
(c) Comparison of actual cost with the standard cost and finding out the variances.
(d) Finding out the causes of variances and taking measures to prevent the occurrences of variances in future.

C. Break- even Point Analysis:

Break-even analysis is a useful tool of management control over business profits. It is mainly concerned with the cost-volume-profits analysis. In the words of Matz and Curry, " Break-even analysis indicates at which level costs and revenue are in equilibrium". It is the point at which total revenue is equal to total cost, i.e., the point of no profit and no loss. It helps in finding out the probable profit at any level of production and the relationship of different volumes, costs sales prices and sales mix to profits.

The break-even analysis is used by the manager for a number of purposes. Some noteworthy uses of break-analysis are:
(1) For calculation of profit for different sales volume;
(2) For calculation of sales volume to produce desired profits;
(3) For calculation of the sales required to offset reduction in price;

(4) For finding out the most profitable alternatives;

(5) For finding out the selling price per unit for a particular break-even point;

(6) For taking decision relating to the expansion of productive capacity;

(7) For determining the most profitable prices for the products of an enterprise;

(8) For maximum utilisation of resources; and

(9) For optimisation of profit.

Thus, the break-even analysis helps the management in number of ways.

(2) Managerial Statistics

According to Kermit O. Hauson, "Managerial statistics deals with data and methods which are useful to management executives in planning and controlling organisation activities". By using such data, an analysis of past performance is made for control purposes. Managerial statistics also enable the manager to make a comparison between the past and present results with a view to ascertaining the causes of changes that have taken place and for making projection for future. They are also helpful to the management in planning and decision-making.

(3) Internal Audit

In the case of internal audit, the internal auditor who is an employee of the organisation makes an independent appraisal of financial and other operations. In addition, he appraises the company's policies and plans and performance of management. Further, the internal auditor not only pinpoints defects in the management policies or plans but also gives suggestions for eliminating them.

(4) Production Control

Production control which is one of the tools of control in the hands of management involves planning of production, routing, scheduling, stock control and manufacturing control.

According to Spreiget, " production control is the process of planning in advance of operations, establishing the exact route of each individual item, part or assembly, setting starting and finishing dates for each important item, assembly and the finished product, and realising the necessary orders as well as initiating the required follow-up to effectuate the smooth functioning of the enterprise".

Thus, production control covers every aspect of production so as to effectuate smooth functioning of the enterprise.

(5) Personal Observation

The manager by observing their subordinates while they are engaged in work can exert more fruitful control. By personal observation, the manager will be in a position to know workers attitude towards their work and also correct worker's mistakes, if any. Further, the worker will not be wasting his time as he knows that he is being observed by his superior. Thus, the personal observation is also a valuable tool of control in the hands of managers.

(6) External Audit Control

External audit is compulsory for all joint-stock companies. External audit ensures that the interests of shareholders and other parties connected with the company are safeguarded against the undesirable practices adopted by the management.

The external auditor certifies the annual statements of the company after examining the relevant books of accounts and documents. The external audit is conducted by a qualifies Chartered Accountant.

(7) Standing Orders, Limitations, etc

Management also uses standing orders, limitations etc., as tools of control. The manager who delegates some of his powers to his subordinates lays down the limits for them. In business concerns, standing orders are issued by the management and they are to be observed by the subordinates. Standing orders may relate to rules, discipline, procedure etc.

For Example, a standing order may say that no worker should absent himself from work without prior sanctions of leave.

(8) Inventory Control

Inventory control or material management involves the controlling of inventory used by the enterprise. The enterprise might be using the inventory of different kinds and in different quantities. The controlling of inventory involves the maintaining of stock of the right kind of inventory in the right place and in right quantity and quality. It also refers to the controlling of the movement and timings Inventory. The process of inventory control consists of the following elements.

(a) Ascertaining the material requirements of the enterprise;

(b) Placing order with suppliers for necessary materials;

(c) Storing the materials in safe and good condition;

(d) Issue of materials only against the orders of the proper authority; and

(e) Deciding the reordering level for each kind of material.

(9) Reports

A major part of control consists of preparing reports to provide information to the management for purposes of control and planning. The following are certain types of reports which are prepared and submitted tot he management regularly:

1. Top Management

(i) Profit and Loss statement

(ii) Balance sheet

(iii) Position of stock

(iv) Cash-flow statement

(v) Position of working capital

(vi) Capital expenditure and forwards commitments together with progress of projects in hand

(vii) Sales, production and other appropriate statistics

2. Sales Management

(i) Actual sales compared with budgeted sales to measure performances by

(a) Products;

(b) Territories;

(c) Individual sales man; and

(d) Customers

(ii) Standard profit and loss by products

(a) For fixing selling prices; and

(b)To concentrate sales on most profitable products.

(iii) Selling expenses in relation to budget and sales value analysed by

(a) Products;

(b) Territories;

(c) Individual salesman; and

(d) Customers

(iv) Bad debts and accounts which are slow and difficult in collection

(v) Status reports on new or doubtful customers

3. Production management

To buyer: price variations on purchased analysed by commodities.

To foreman

(a) Operational efficiency for individual operators duly summarised as departmental averages.

(b) Labour utilisation report and causes of lost time and controllable time.

(c) Indirect shop expenses against the standard allowed.

(d) Scrap report.

(10) Special Reports

These reports may be prepared at the request of the management accountant or manager. The necessity for them may arise on account of the need for a more detailed information on matters of interest first revealed by the routine reports. Some of the matters in respect of which such reports may be prepared are:

(a) Taxation, legislation and its effect on profits.

(b) Estimate about the earning capacity of a new project.

(c) Brea-even analysis.

(d) Replacement of capital equipment.

(e) Special pricing analysis

(f) Make of buy decisions.

(11) Pert and CPM

Both PERT (Programme Evaluation Review Techniques) and CPM(Critical Path Method) used the same basic concept and are being used for a wide range of planning and control problems. These two techniques are new management tools used in project management.

They are useful to the management for the purpose of planning, scheduling and controlling the activities of various business projects. Business projects, particularly in modern days, are large and take a number of years for their completion and PERT and CPM techniques help the management in coordinating the activities of the different jobs in the project, in minimising the interruption in work and in completing the project as per schedule.

Steps for using PERT & CPM

Steps involved are as follows:

(1) First step is to break down the entire project into a number of independent jobs or activities and to list them.

(2) After preparing the list of various activities or jobs, the order of precedence for doing these jobs should be determined. This involves considering which activity must be completed first, before a particular activity can start (precedence), which activity can be undertaken while a particular activity is in progress(concurrence) and which activity cannot start until after a particular activity is completed(subsequence).

(3) The next step involves the drawing of a diagram indicating the precedence, concurrence and subsequence of all activities. The diagram also tells the time required for the completion of each activity or job.

(4) Another step involves the determination of the critical path, indicating the network in terms of the amount of time the entire project will take and them time needed for the completion of each activity. PERT and CPM techniques are applied in order to shorten the time spent on activities along the critical path so that the total time spent on the project will be shortened. For

example, a project consists of three activities, viz., X Y and Z and these three activities require for their completion 12 days, 6 days and 4 days respectively. Activities X and Y should be carried out simultaneously but activity Z can be commenced only after the completion of X and Y activities. In this case, the critical path .would be along the paths of X and Y (from below figure).

If X activity takes 12 days, Y activity takes 6 days and if these two activities are to be carried out simultaneously and Z activity can start only after the completion of these two activities, there is no use of spending money and making efforts for reducing the time of Y activity, but there may be good reason for spending money and making efforts to reduce the time of X activity for shortening the total time of project.

Advantages of PERT and CPM

(1) It involves identifying of critical elements and paying more attention to those activities.

(2) It helps in securing co-operation from all the departments.

(3) It helps in shortening the total time of the project.

(4) It helps in the best possible use of resources of the enterprise.

(5) It ensures attention and vigilance at all levels of management.

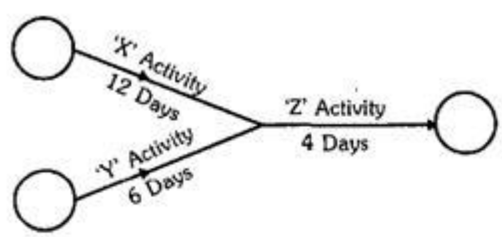


Fig: Critical Path

Limitations of PERT and CPM

(1) it can be used mainly on cases where time is the essence of a programme.

(2) It is not suitable for continuous production and processing activities.

USE OF COMPUTERS AND IT IN MANAGEMENT CONTROL

Use of Computers in Management Control:

Managers use computers for a variety of reasons, including keeping their teams on track, budgeting and planning projects, monitoring inventory and preparing documents, proposals and presentations.

Managers need to understand not only the basic functions of the corporate software tools used in the office but also the Internet and other external computing tools that can improve the way they manage their departments.

- **Business Planning**

Business planning can take up a lot of a manager's time, but computer programs make it easier. From using email programs like Outlook or Google Mail to set appointments, tasks and deadlines to using financial tools to develop budgets and project proposals, using computers to plan the day-to-day activities of a business is essential. Managers also use the Internet to research their industries, the competition and to look for ideas to help them create plans to engage customers, win more business and succeed in the competitive world of business.

- **Record Keeping**

Managers keep track of a lot of information that is vital to the company's success. From customer records to financial records to employee records, the data a company has to store are seemingly endless. Using computers to store and manage documents, files and records reduces the amount of physical storage a company needs and also allows managers to have easy access to their files using simple document search methods. Additionally, by keeping records, managers can easily share information about an employee's history and job performance with other managers in the company.

- **Communication**

One of the most common uses for computers in business is communication. Communication is essential not only between employees but with customers as well. Many customer service departments use computers to log service issues and make a record of their resolutions. Using email and instant messaging programs allows employees to gather information from one another that they need to complete their jobs. It also allows managers to delegate work tasks and follow up on projects.

- **Document Preparation**

For creating spreadsheets, presentations, memos and other corporate documents, computers are essential in business. Managers need to have a basic understanding of common workplace productivity software such as Microsoft Office, but specialized industries such as advertising and marketing also require managers to work with more advanced programs like Adobe Photoshop and Illustrator to create visual materials for clients.

Use of computers IT in management control

Management Information System (MIS):

- MIS is used for decision making in various functional areas of business.
- MIS is defined as ‘a system of obtaining, abstracting, storing and analyzing data to produce effective information for the use in planning, controlling and decision making process’.

Objectives of MIS:

- Providing right information at right time
- To allocate appropriate resources
- To provide sales forecasting, planning and better controlling
- To provide information confidentially
- To provide adequate information for better managerial activities.

Pre – requisites of MIS:

- Information must be clear and concise.
- Information must be relevant to business organization.
- Information must be simple and understandable.
- Information must facilitate decision making and taking corrective actions.
- Information must help in solving complicated problems.

Need for MIS:

1. **Internal factors:**

- Provides information about resource availability.
- Provides information for preparing budgets, sales forecast, marketing strategies, etc.
- Plays vital role in evaluating the overall performance.

2. External factors:

- Provides information about governmental policies, laws, etc.
- Provides information about economic scenario.
- Provides information about recent technological up gradation.

Functions of MIS:

1. **Determination of information need:**

- MIS determines, kind of information required.
- Identifies the person who requires the information.
- Information needed for various functions of organization (planning, performance evaluation, etc.)

2. **Information gathering:**

- **Internal sources:** Documents, surveys, observation, operational manual, etc.
- **External sources**: Reference journals, newspapers, surveillance, etc.

3. **Processing:**

- Processing includes evaluation, abstraction, dissemination and storage.

4. **Information usage:**

- Usage depends on factors like accuracy, timely supply and format.

Tools of MIS:

- Speech recognition software
- Network server

Role of MIS in management:

1. Strategic planning:
2. Tactical planning:
3. Operational planning:

Applications of MIS:

1. Marketing
- Sales planning and forecasting.

2. Manufacturing
- Production planning and cost control.

3. Logistics
- Inventory control.

4. Finance and accounting
- Revenue and expenditure details.

5. Top management
- Policy formulation, resource allocation.

PRODUCTIVITY

Productivity refers to the ratio between the output from production processes to its input. Productivity may be conceived of as a measure of the technical or engineering efficiency of production. As such quantitative measures of input, and sometimes output, are emphasized.

Typical Productivity Calculations

Measures of size and resources may be combined in many different ways. The three common approaches to defining productivity based on the model of Figure 2 are referred to as physical, functional, and economic productivity. Regardless of the approach selected, adjustments may be needed for the factors of diseconomy of scale, reuse, requirements churn, and quality at delivery.

a) Physical Productivity

This is a ratio of the amount of product to the resources consumed (usually effort). Product may be measured in lines of code, classes, screens, or any other unit of product. Typically, effort is measured in terms of staff hours, days, or months. The physical size also may be used to estimate software performance factors (e.g., memory utilization as a function of lines of code).

b) Functional Productivity

This is a ratio of the amount of the functionality delivered to the resources consumed (usually effort). Functionality may be measured in terms of use cases, requirements, features, or function points (as appropriate to the nature of the software and the development method). Typically, effort is measured in terms of staff hours, days, or months. Traditional measures of Function Points work best with information processing systems. The effort involved in embedded and scientific software is likely to be underestimated with these measures, although several variations of Function Points have been developed that attempt to deal with this issue.

c) Economic Productivity

This is a ratio of the value of the product produced to the cost of the resources used to produce it. Economic productivity helps to evaluate the economic efficiency of an organization. Economic productivity usually is not used to predict project cost because the outcome can be affected by many factors outside the control of the project, such as sales volume, inflation, interest rates, and substitutions in resources or materials, as well as all the other factors that affect physical and functional measures of productivity. However, understanding economic productivity is essential to making good decisions about outsourcing and subcontracting. The basic calculation of economic productivity is as follows:

Economic Productivity = Value/Cost

PROBLEMS IN MEASUREMENT OF PRODUCTIVITY OF KNOWLEDGE WORKERS:

Productivity implies measurement, which in turn, is an essential step in the control process. Although there is a general agreement about the need for improving productivity, there is little consensus about the fundamental causes of the problem and what to do about them. The blame has been assigned to various factors. Some people place it on the greater proportion of less skilled workers with respect to the total labor force, but others disagree. There are those who see cutback in research and the emphasis on immediate results as the main culprit. Another reason given for the productivity dilemma is the growing affluence of people, which makes them less ambitious. Still others cite the breakdown in family structure, the workers' attitudes, and government policies and regulations. Another problem is that the measurement of skills work is relatively easy, but it becomes more difficult for knowledge work. The difference between the two kinds is the relative use of knowledge and skills.

DIRECT CONTROL

In this organization some employee's performance is poor. To find out the employees and then correct their performance and achieve the organization goals. This is called direct control.

Factors influencing the direct control:

The following factors influence the direct control.

- Uncertainty
- Lack of knowledge experience
- Lack of communication
- Lack of coordination.

Effective steps for direct control

Success of direct control in an organization depends upon the following factors.

- Performance can be measured
- Effectively utilizes time
- Errors can be discovered in time
- Participation
- Coordination.

Preventive control

An efficient manager applies the skills in managerial philosophy to eliminate undesirable activities which are the reasons for poor management. This is called preventive control.

Effective steps for preventive control

- Qualified managers
- Management principles to measure performance
- Evaluation

Advantages:

- It is better than direct control.
- This control is fast and quick.
- It gives greater accuracy.
- Prevention is better than cure.
- This reduces wastage of cost

Reporting:

Meaning of Management Reporting:

Reporting is a formal upward communication in concern, it flows from bottom level to top level conveying the different operational aspects of the organization.

The reporting to management is a process of providing information to various levels of management so as to enable in judging the effectiveness of their responsibility centres and become a base for taking corrective measures, if necessary.

The primary objective of report is to update the management with the relevant information about the operating results of the business so that the management can take sound and timely decisions.

Definition of Management Reporting:

It can be defining, as a systematic or organized method of providing each level of management with all those data that he/she needs for his decision, when he/she needs them and in a form that aids their understanding and stimulates their action.

"Reporting to Management can be defined as an organized method of providing each manager with all the data and only those data which he needs for his decisions, when he needs them and in a form which aids his understanding and stimulates his action".

Objective of reporting:

The objective of reporting is given below:

1. It develops public relations and image of the company to world business
2. It represents the basic standards to measure performance
3. It serves as a record of business performance
4. It acts as toll for management accounting communication

Objectives or Purpose of Reporting to management:

A Management Accountant has to prepare the report for the following purposes.

1. **Means of Communication**:

A report is used as a means of upward communication. A report is prepared and submitted to someone who needs that information for carrying out functions of management.

2. **Satisfy Interested Parties:**

The interested parties of management report are top management executives, government agencies, shareholders, creditors, customers and general public. Different types of management reports are prepared to satisfy above mentioned interested parties.

3. Serve as a Record:

Reports provide valuable and important records for reference in the future. As the facts and investigations are recorded with utmost care, they become a rich source of information for the future.

4. **Legal Requirements:**

Some reports are prepared to satisfy the legal requirements. The annual reports of company accounts is prepared to furnished the same to the shareholders of the company under Companies Act 1946. Likewise, audit report of the company accounts is submitted before the income tax authorities under Income Tax Act 1961.

5. **Develop Public Relations:**

Reports of general progress of business and utilization of national resources are prepared and presented before the public. It is useful for increasing the goodwill of the company and developing public relations.

6. **Basis to Measure Performance:**

The performance of each employee is prepared in a report form. In some cases, group or department performance is prepared in a report form. The individual performance report is used for promotion and incentives. The group performance report is used for giving bonus.

7. **Control:**

Reports are the basis of control process. On the basis of reports, actions are initiated and instructions are given to improve the performance.

Methods of reporting

Reports to the management may be presented in the following forms

1. Written Reports
2. Oral Reports

Essentials of a good reporting/Requisites of goods reporting systems:

Not all reports can support for managerial decisions, it requires the ratio analysis reports, which can give a clear understanding of the financial position.

A goods report should have certain essentials qualities

1. Promptness
2. Simplicity
3. Readability
4. Consistency
5. Comparability
6. Key factors
7. Updated
8. Controllability
9. Concise
10. Attractiveness and accuracy;

General principles of reporting system:

1. **Promptness;** Actions cannot be taken if information is not provided in time to the right managerial persons in the organization.

2. **Simplicity;** A report should be simple and easy to understand. The presentation of operating information should be simple and clear.

3. **Readability;** Readability is another face of simplicity, which is of equal importance. The "Rounding off figures, for instance also help in readability.

4. **Consistency;** It is necessary to present the information in a consistent manner to the various operating levels of management because very often, the same statistical data are compiled in different needs of the top and low management level.

5. **Comparability;** A report which reflects comparative information is more useful for managerial decisions a report should flexible in incorporating the past and present information.

6. **Key factors;** A report should highlight on the key aspect of the situation. It should catch attention of the top level management on those factors which has significant effect on the organization and which needs immediate action.

7. **Updated:** A report should be up date; it must reflect the recent information of the concern.

8. **Controllability:** A good report must support must support for controlling for situations.

9. **Concise:** A concise report is more appreciated by the managers.it saves time and facilitates fast decision.

10. **Attractiveness and accuracy;** A report should be accurate in its date presentation. It should consist more tables graphs charts and figures which can supports for immediate attention and speedy decisions.

Kinds of Reports:

The managerial reports can be classified.

A. On the basis purpose of the management.
B. On the basis of period of submission.
C. On basis of operations of the organization and.
D. On the basis of administrative needs of the management.

A. **Classification of Reporting According to the users or purpose or Need of the situation:**

On the basis of need and situation or users of the report it can be classified as

1.Internal Report and

2. External Report

1. **Internal report;**

Reports prepared for use of the internal people like directors, managers, supervisors, etc. for the purpose of decision making is said to be internal reports, Internal report are not meant for public circulation. therefore, they need not conform to any legal standards further, such report can be categorized as internal report for. a. Top level management, b. Middle level management and c. Lower level management.

2. **External Reports;**

A reports prepared for the use of out spiders is known as external report. Report meant for persons outside the business, such as govt, the creditors the shareholders, the bank and financial institutions, stock exchange, company registrar, court of law and the general public.

B. **Classification of repots according to the period submission:**

On the basis of time submission reports can be classified into two kinds.:

1.Routine reports and

2.Special report.

1. Routine Reports;

Reports prepared on a certain period is said to be routine reports. It covers the day-to-day aspect of the departmental activities. they are submitted to different level of management as per the fixed time schedule.

2. Special Reports;

Special reports are those, which are preparation for the specials purpose. It is generally situation based.

C. Classification of Reports According to the Function or Operation:

Based on operation of a concerns reports can be classified as

1. Functional report and
2. Financial reports

1. **Functional Reports;**

Functional or operating reports are report which provide information about the operations at different functional level of the concern.

2. **Financial Report;**

It is a report on the financial performance of a concern on given accounting date. It provides useful information about the financial position of the concern.

General principles of a good reporting

A good reporting system is helpful to the management in planning and controlling, every level of management needs information relating to its activity center so that effective planning.

may be undertaken and correct activities may be controlled and necessary corrective measure may also be taken in time. if needs general principles, in brief given below,

1) The draft of the report should be simple.
2) The report should be precise, specific and accurate.
3) It should bear a suitable title.
4) It must follow the organizational lines.
5) Report must continue up –to –date information.
6) Report should be presented in time.
7) They should be specific and definite.
8) They should be economical.
9) It must suit to the end-user's requirements.
10) They must be consistent and correct as to information.
11) It must be attractive.
12) It must be distinguishing between controllable on uncontrollable costs.
13) The report should highlight the trouble spots.
14) It must provide for exceptional circumstances.
15) Report should cover board trends only and not minute details.
16) Each report should be pertinent.
17) Report should contain unbiased and not personal opinions.
18) Report should be directed towards those areas where variances are most significant.
19) Each report should have purpose to justify its preparation.

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BBA DEGREE EXAMINATION, MAY 2017.

First Year – Non - Semester

Business Administration – Main (DD&CE)

PRINCIPLES OF MANAGEMENT

Time: Three hours **Maximum:100marks**

PART A – (5 x 5 = 25 marks)

Answer any FIVE questions out of Eight.

1. Distinguish Administration from Management‘.
2. What are the levels of management? Give the terminologies associated with them.
3. Give the qualities of formal organisation
4. What is line and staff organization?
5. What is the importance‘s of direction?
6. What is motivation?
7. What are the objectives of control?
8. List the various management theories.

PART B – (5 x 15 = 75 marks)

Answer any FIVE questions out of Eight.

9. What are the characteristics of management?
10. Enlist and explain the steps in planning.
11. List the characteristics and components of organization.
12. What are the different types of organization structure?
13. Critically compare Maslow and Herzberg models of motivation.
14. Explain the types of communication and also give their respective merits and demerits.
15. Write anoteon the techniques of control.
16. Define report. Give the different types of it. How do they help in controlling?

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