UNIT – I

INTRODUCTION TO MANAGEMENT

LEARNING OBJECTIVES.

After reading this unit, students will be able to:

- **Explain the meaning Definitions and concept of Management.**
- **Understand the nature and importance of Management**
- **Understand the importance of Management.**
- **Understand the Levels of Management.**
- **Understand the Roles of Management.**
- **Understand the functions of Management.**
- **Understand the different stages in development of management thought.**

1.1. INTRODUCTION

A business develops in course of time with complexities. With the increasing of complexities, managing the business concern becomes a difficult one. The need of existence of management has increased tremendously. Management is not only essential to business concerns but also essential to Banks, Schools, Colleges, Hospitals, Hotels, Religious bodies, charitable trusts etc.

Every business unit has objectives of its own. These objectives can be achieved with the co-operative efforts of several personnel. The work of a number of persons are properly co-ordinated to achieve the objectives through the process of management.

Management is the art of getting things done by a group of people with the effective utilization of available resources. An individual cannot be treated as a managing body running any organization. A minimum of two persons are essential to form a management. These persons perform the functions in order to achieve the objectives of an organization.

DEFINITION

Harold Koontz has defines, “Management is the art of getting things done through and with people in formally organized groups. It is the art of creating an environment in which people can perform and individuals could co-operate towards attaining of group goals”

Koontz and Weihrich define management in a simple form as “Management is the process of designing and maintaining an environment in which individuals working together in groups efficiently accomplish selected aims”

William F. Glueck has defines “Management is the effective utilisation of human and material resources to achieve the enterprises objectives”

Henry Fayol has defines “To Manage is to forecast and plan to organise to compound to co-ordinate and to control”

1.2. FEATURES OR CHARACTERISTICS OF MANAGEMENT

From a critical analysis of the above definitions, the following features or characteristics of management evolve:

(a). Management is a Group of Activity.

Management co-ordinates all resources, such as human physical finance and the like to attain the maximum level of productivity. So it is a joint-effort but not individual effort.

(b). Management is an activity.

Management is the process of activity relating to the effective utilization of available resources for production. The term resources include Man, Materials, Money and Machine in the organization.

(c). Management is a Continuous Process.

The process of management mainly consists of Planning, Organizing, Directing and controlling the resources.

(d). Management achieving Pre-determined Objectives.

The objectives of an organisation are clearly laid down. Every managerial activity results in the achievement of objectives fixed well in advance.

(e). Management as a system of activity.

Management represents a system of authority a hierarchy of command and control managers at different levels possess varying degree of authority.

(f). Leadership Quality.

Leadership quality is developed in the persons who are working in the top level management. Management function is the function of executive leadership everywhere.

(g). Universal Application.

The principles and practice of Management are applicable not to any particular industry alone but applicable to every type of industry. The practice of management is different from one organization to another according to their nature.

(h). Management is getting thing done.

A manager does not actually perform the work but he gets things done by others.

(i). Management aims at maximizing profit.

The available resources are properly utilized to get desired results. The results should be the maximizing profit or increasing profit by the economic function of a manager.

1.3. FUNCTIONS OF MANAGEMENT OR PROCESS OF MANAGEMENT

Functions of management classified in two categories:

1. **Main Functions (POSDCORB)**
2. **Subsidiary Functions**.

FUNCTIONS OF MANAGEMENT

I. Main Functions (POSDCORB)

1. Planning.
2. Organizing.
3. Staffing.
4. Directing.
5. Co-ordinating.

II. Subsidiary Functions.

1. Representation.
2. Innovation.
3. Decision-Making.
4. Communication.

6. Motivating or actuating.
7. Reporting and Budgeting.
8. Controlling.

I. Main Functions (POSDCORB).

1. Planning.

Planning is the primary functions of management. Nothing can be performed without planning. Planning it involves deciding in advance what to do, When to do it, Where to do it, How to do it, who is to do it and how the results are to be evaluated. Proper planning ensures effective utilization of available resources at all levels of management.

Planning involves some steps for Determination of Goals or Objectives, Forecasting of future environment, Search of alternatives course of action, Formulation of Policies, Procedures, Rules, Methods, Strategy, Standards, Preparation of Schedules, Programmes and Budgets.

2. Organizing.

Organizing involves establishing an internal structure of roles for people in an enterprise to fill. Organizing is the distribution of work in group wise or section wise for effective performance. Organization provides all facilities which necessary to perform the work. Organizing involves the following Steps:

- Determination of activities required to achieve goals,
- Grouping of these activities into departments or sections,
- Assignment of such groups of activities to a manager,
- Defining authority and responsibility,
- Delegation of authority and to carry them out,
- Provision for Co-ordination of activities and Establishment of Structural relationship.

3. Staffing.

The success of any enterprise depends upon the successful performance of staffing function. Staffing function includes Selection of right persons in the right jobs, Training to those needy persons, Promotion of best persons, and Retirement of old persons, Performance appraisal of all the personnel and adequate remuneration of personnel.

4. Directing.

Directing involves determining the course (plan), giving orders and instructions and providing dynamic leadership. Directing involves communication with subordinates, guiding, motivating and supervising the work towards the achievement of organizational goals. There are four aspects of the managerial function of directing, viz:-

- Leadership.
- Motivation.
- Communication.
- Supervision.

5. Co-Ordination.

All the activities are divided group wise or section wise under organizing function. Now, such grouped activities are co-ordinated towards the accomplishment of objectives of an organization.

6. Motivating or actuating.

The goals are achieved with help of Motivation. Motivation includes increasing the speed of performance of a work and developing willingness on the part of workers. This is done by a resourceful leader. The workers expect favourable climate conditions to work, fair treatment, monetary or non-monetary incentive, effective communication and gentlemen approach.

7. Reporting and Budgeting.

Submission of budget and reports play a very important role. Budgets and reports are the resume of the particular company. The manager should compare planned budget and actual budget. Minor deviations can be ignored. The manager is responsible to report to the top management.

8. Controlling.

Controlling function ensures that the achieved objectives conform to pre-planned objectives. Necessary corrective action may be taken if there is any deviation. A good system of control has the characteristics of economy, flexibility, understanding and adequacy to organisational needs.

II. Subsidiary Functions.

1. Innovation.

Innovation refers to the preparation of personnel and organisation to face the changes made in the business world. Consumers are satisfied through innovation. Innovation includes developing new material, new products, and new techniques in production, new package, and new design of a product and cost reduction.

2. Communication.

Communication is the process of passing information and understanding from one person to another. A manager to be successful must develop an effective system of communication. So, that he may issue instructions receive the reactions of the sub-ordinates, guide and motivate them.

3. Decision-making.

Every employee of an organization has to take a number of decisions every day. There are number of alternatives available to the management. The best on is selected out of the available alternatives.

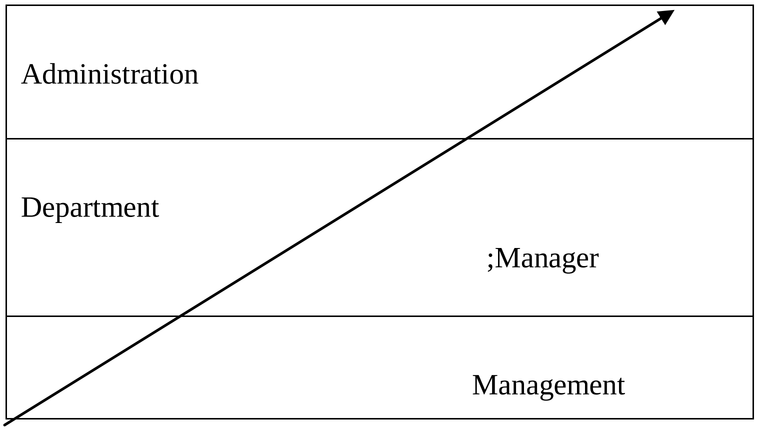
4. Representation.

A manager has to act as a representative of a company. He has dealings with customers, suppliers, government officials, banks, financial institutions, trade unions and the like. It is the duty of every manager to have good relations with others.

1.4. ADMINISTRATION AND MANAGEMENT

The term *administration* and *management* are used synonymously. Some writers argue that both these terms have different meaning. Running of business requires skill which is called Management and functioning of government departments and non-profit institutions requiring skills is called administration.

Administration is distinguished as a top level function while management as a lower level function. Policy and objectives of a business are determined by the top level executives (Administration). At the same time, the lower level people (Management) work to attain the objectives of the business unit and follow the policy framed by the administrators.



DIFFERENCE BETWEEN ADMINISTRATION AND MANAGEMENT

S.No	ADMINISTRATION	MANAGEMENT
1	It is higher level functions	It is lower level function.
2	It refers to the owners of the organization.	It refers to the employees of the organization.
3	Administration is concerned with decision making.	Management is concerned with execution of decision.
4	Administration lays down broad policies and principles for guidance.	Management executes these policies into practice.
5	Main functions include Planning, Organizing and Staffing.	Main functions include Direction, motivation and Controlling.

1.5 MANAGEMENT LEVELS

The three levels of management commonly found in any organisation are Top Level Management, Middle Level Management and Lower level Management.

MANAGEMENT LEVELS

I. Top Level Management **II. Middle Level Management**

III. Lower Level Management

1. Top Level Management.

Top Level Management is at the very first top levels of the hierarchy who have the most authority and who are ultimately responsible for the entire organization. These individuals typically have titles, such as Executive, Vice president, President, Managing director, Chief operating officer, Chief executive officer or chairmen of the board.

***Functions of Top Level Management*:**

- To formulate goals and policies of the company.
- To formulate budgets.
- To appoint top executives.
- To provide overall direction and leadership of the company
- To decide and distribution of profits etc.

II. Middle Level Management.

Middle level managers are those managers beneath the top-level of the hierarchy and directly supervise other managers below them. These managers manage the work of first line managers and may have titles, such as department head, project leader, plant managers, or division manager.

***Functions of Middle Level Management*:**

- To monitor and control the operating performance of the sub-units and individual managers who report to them.
- To implement overall organizational plans. So, that organisational goals are achieved as expected.
- To train, motivate and develop supervisory level.
- Implement changes or strategies generated by top managers.
- To co-ordinate among themselves so as to integrate the various activities of a department.

III. Lower Level Management.

Low level managers or first-line supervisors are those managers having the least authority and are at the lowest level in the hierarchy of the organization. They are directly responsible for the work of operating employees.

***Functions of Low Level Management*:**

- To train and develop the efficiency of the workers.
- To assign jobs to workers.
- To give orders and instructions.
- To maintain discipline and good human relations among workers.
- To report feedback information about workers.

1.6 THE MANAGER

Management is a creative process which integrates and uses various available resources effectively to accomplish certain goals. For which, an individual is responsible to develop ideas and get things done through others. The concerned individual is designated as manager. Any person who performs functions of planning, organising, staffing, directing and controlling for the accomplishment of pre-determined organisation goals is called as manager.

1.7 MANAGERIAL SKILLS

A Skill is an individual's ability to translate knowledge in to action. Any organizational manager is required there are three major skills that a manager must possess. The following way classify the managerial skills.

1. Technical Skills.
2. Human Relation Skills.
3. Conceptual Skills.
4. Diagnostic Skills.
5. Communication Skills.
6. Political Skills.

(1).Technical Skills.

Technical skills are the individual knowledge and proficiency for a related work field. Such as engineering, computers, accounting or manufacturing. This skill is required at the lower of management for explain the procedures and techniques of related work field.

(2). Human Relation Skills.

Human relation skill is the ability to interact effectively with people. This skill is required at all levels of management they know how to communicate, motivate, lead and inspire enthusiasm and trust.

(3). Conceptual skills.

Conceptual skill is the ability to view the organization as a whole and as a total entity as well as a system comprised of various parts and subsystems integrated into a single unit. This skill is specially crucial for top level executives who must keep the whole system under focus. They must understand the complexities of the overall organization, including how each unit of the organization contributes towards the overall success of the entire organization. This skill generally depends upon an organized thinking process which deals with understanding of various functions of an organization, their interdependence and the relationship of the organization with the outside environment in terms of threats and opportunities.

(4). Diagnostic skills.

This skill refers to a manager's analytical ability where a manager can logically and objectively investigate and analyze a problem or an opportunity and use scientific approaches to arrive at a feasible and optimal solution. It is important however that a manager gets to the root cause of the problem so that the solution is the real and a permanent one rather than simply a short-term or a cosmetic one. This skill overlaps with other skills because a manager may need to use technical, human, conceptual or political skills to solve the problem that has been diagnosed.

(5). Communicational Skills.

Communicational skills are an important component of interpersonal skills and are basic to all other skills and these are important and necessary at all levels of management. A manager's best ideas will have little impact if they cannot be communicated effectively. Good communication is the foundation of sound management. Proper communication eliminates delays, misunderstanding, confusion, distortions and conflicts and improves coordination and control.

(6). Political Skills.

It is the most complex of skills in the sense that it is required to establish the right connections and impressing the right people and then skillfully using these connections to your own advantage. Political skill is most important at the middle management level because middle managers always aspire to reach the top levels of management and right connections help in such aspirations.

1.8 MANAGERIAL ROLES.

Henry Mintzberg describes a set of ten roles that a manager performs. These ten roles fall into three categories**.**

MANAGERIAL ROLES.

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I. Interpersonal Roles.	**II. Informational Roles.**	**III. Decisional Roles.**
1. Figure Head Role	1. Monitor Role	1. Entrepreneur Role.
2. Leader Role.	2. Disseminator Role.	2. Disturbance Handler.
3. Liaison Role.	3. Spokes person	3. Resource Allocator.
		4. Negotiator.

I. Interpersonal Roles

Managers spend a considerable amount of time in interacting with other people both within their own organizations as well as outside. These people include peers, subordinates, superiors, suppliers, customers, government officials and community leaders. All these interactions require an understanding of interpersonal relations. Studies show that interacting with people takes up nearly 80% of a manager’s time. These interactions involve the following three major interpersonal roles.

(1). Figurehead Role.

Managers act as symbolic figureheads performing social or legal obligations. These duties include greeting visitors, signing legal documents, taking important customers to lunch, attending a subordinate’s wedding or speaking at functions in schools and churches. All these, primarily, are duties of a ceremonial nature but are important for the smooth functioning of the organization.

(2). Leader Role.

The influence of the manager is most clearly seen in his role as a leader of the unit or organization. Since he is responsible for the activities of his subordinates, he must lead and coordinate their activities in meeting task-related goals and he must motivate them to perform better. He must be an exemplary leader so that his subordinates follow his directions and guidelines with respect and dedication.

(3). Liaison Role.

In addition to their constant contact with their own subordinates, peers and superiors, the managers must maintain a network of outside contacts in order to assess the external environment of competition, social changes or changes in governmental rules, regulations and laws. In this role, the managers build up their own external information system. In addition, they develop networks of mutual obligations with other managers in the organization.

II. Informational Roles.

By virtue of his interpersonal contacts, a manager emerges as a source of information about a variety of issues concerning the organization. In this capacity of information processing, a manager executes the following three roles.

(1). Monitor Role.

The managers are constantly monitoring and scanning their environment, both internal and external, collecting and studying information regarding their organization and the outside environment affecting their organization. This can be done by reading reports and periodicals, by asking their liaison contacts and through gossip, hearsay and speculation.

(**2). Disseminator of information.**

The managers must transmit their information regarding changes in policies or other matters to their subordinates, their peers and to other members of the organization. This can be done through memorandums, phone calls, individual meetings and group meetings.

(3). Spokesperson.

A manager has to be a spokesman for his unit and he represents his unit in either sending relevant information to people outside his unit or making some demands on behalf of his unit. This may be in the form of the president of the company making a speech to a lobby on behalf of an organizational cause or an engineer suggesting a product modification to a supplier.

III. Decisional Roles.

On the basis of the environmental information received, a manager must make decisions and solve organizational problems. In that respect, a manager plays four important roles.

(1). Entrepreneur Role.

Entrepreneur as entrepreneurs, managers are continuously involved in improving their units and facing the dynamic technological challenges. They are constantly on the lookout for new ideas for product improvement or products addition. They initiate feasibility studies, arrange for capital for new products if necessary, and ask for suggestions from the employees for ways to improve theorganization. This can be achieved through suggestion boxes, holding strategy meetings with project managers and R & D personnel.

(2). Conflict handler.

The managers are constantly involved as arbitrators in solving differences among the subordinates or the employee's conflicts with the central management. These conflicts may arise due to demands for higher pay or other benefits or these conflicts may involve outside forces such as vendors increasing their prices, a major customer going bankrupt or unwanted visits by governmental inspectors. Managers must anticipate such problems and take preventive action if possible or take corrective action once the problems have arisen. These problems way also involve labour disputes, customer complaints, employee grievances, machine breakdowns, cash flow shortages and interpersonal conflicts.

(3). Resource allocator.

The third decisional role of a manager is that of a resource allocator. The managers establish priorities among various projects or programs and make budgetary allocations to the different activities of the organization based upon these priorities. They assign personnel to jobs, they allocate their own time to different activities and they allocate funds for new equipment, advertising and pay raises.

(4). Negotiator.

The managers represent their units or organizations in negotiating deals and agreements within and outside of the organization. They negotiate contracts with the unions. Sale managers may negotiate prices with prime customers. Purchasing managers may negotiate prices with vendors.

All these ten roles are important in a manager's job and are interrelated even through some roles may be more influential than others, depending upon the managerial position.

1.9 IS MANAGEMENT A SCIENCE OR AN ART?

(a). What is Science?

The following Character tics are essential for the subject to be recognized as a science:

- The existence of a systematic body of knowledge with array of principles.
- Based on scientific enquiry.
- Principle should be verifiable.
- Reliable basis for predicting future events.

Management as a discipline fulfils the science criterion. The application of these principles helps any practicing manager to achieve the desired goals. Management is a dynamic subject in that it has heavily from economics, psychology, sociology, mathematics and engineering. Management is multi disciplinary in nature.

Science classified in two types. They are exact science and inexact science. In exact science, the results are accurate. In the case of management, it is an inexact science because:

- Every organization human resources are different attitudes, aspirations and perceptions. So, standard results may not be obtained.
- Readymade and standard solutions cannot be obtained.
- Management is complex and unpredictable.
- Every organization decisions are influenced by the environment. The environment is so complex and unexpected changes.

(b). What is an art?

Art means application of skill in finding a desired result. Art is the way of obtain things skillfully. Management is an art because of the following facts.

- Management process involves the use of practical knowledge and personal skill.
- Management is creative.
- Application of practical knowledge and certain skills helps to achieve concrete results.

(c). Management is both – Science and an Art:

Management is a science because it contains general principles. It is also an art because it requires certain personal skills to achieve desired results.

1.10. DEVELOPMENT OF MANAGEMENT THOUGHT OR MANAGEMENT THEROY.

Many experts have made significant contributions to the growth of management over centuries. The contributions of some of the renowned management thinkers have been given below.

1. **F.W.Taylor (1856 -1915)**
2. **Henry Fayol (1841 – 1925)**
3. **Elton Mayo (1880 – 1949)**
4. **Peter F.Drucker**.

1. Frederick Winslow Taylor (F.W.Taylor) (1856 -1915)

F.W.Taylor is called as "Father of Scientific Management". Taylor was the first to insist on the introduction of scientific methods in management. He started his career as machine shop labourer in Midvale steel company in U.S.A. and rose up to the position of chief engineer in a steel mill. During his career he observed that the attitude of workers was not enthusiastic towards work. They wasted time and energy. There was no standard of performance. The spirit of co-operation between the labourers and management was completely absent.

Scientific Management:

In the 18^{th} century, the production was affected by industrial revalution, when the management people wanted to increase their production. Their ambitions were fulfilled by the invention of the concept of scientific management by F.W.Taylor in the 19^{the} century.

He published a book on the " Principles of Scientific Management" in 1911.

According to F.W.Taylor, Scientific Management consist of a certain General Philosophy and some techniques of scientific management.

Scientific Management

I**. Basic Principles.** **II. Elements or Techniques of scientific management**

I. Basic Principles.

The following basic Principles followed by organisation for effective utilization of resources.

- Observation and measurement should be used in the organizations.
- Employees are selected scientifically and training is provided to both new and existing employees. The employees are placed according to their qualifications and experience.
- The effective doing of any work depends upon physical working conditions, such as lighting, ventilation, rest rooms, rest periods, drinking water, canteen facilities, recreation, sanitation etc.
- Co-operate all the department workers, motivate the workers should be provided monetary and non-monetary incentives etc.

II. Elements or Features or Techniques of scientific management.

1. **Planning the Task.**

The planning function should be performed by the supervisors and Executive function doing the workers.

2. **Scientific Task setting / Work study or Job analysis.**

Work study aims at improving efficiency. Allotment of work to each worker on the basis of the capacity of an average worker functioning in normal working conditions. This is referred to as the 'Fair-day's Work'. In determining the fair day's work, the following studies are used:

Fair-day's Work or Job Analysis

(a) .Time Study. (b). Motion Study. (c). Method Study. *(d).* Fatigue Study.

(a).Time Study.

This study determines the standard time needed to perform every job or the movement, which takes minimum time, is the best one.

(b). Motion Study.

It is the study of movements of workers in performing operation or work. The idea is to identify and eliminate unnecessary and wasteful movements.

(c). Method Study.

This study aims at determining the most appropriate method of doing any job.

(d). Fatigue Study.

A study relating to the fixing of the working hours with rest periods to enable the workers to recoup the energy lost while performing the job.

***3.* Functional Foremanship.**

For a better performance of the factory work. Taylor suggested a system of Functional foremanship. Under this system, there will be eight persons, out of eight persons, three persons are concerned with Production Planning, four persons are Executive function and one person to secure proper co-ordination.

Functional Foremanship.

(i). Planning work	*(*ii). Executive Function	(iii). Co-ordination Function
(a). Route Clerk.	(a). Speed Bass.	(a). Disciplinarian.
(b). Instruction Card Clerk	(b). Inspector.	
(c). Time and Cost Clerk.	(c). Repair Boss.	
	(d). Gang Boss.	

(i). Production Planning Work.

The following persons are involved in the production planning work.

(a). Route clerk.

He is a technical expert. He fixes the route through which each work travel up to the stage of completion.

(b). Instruction card clerk.

To prepare detailed instructions regarding different aspects of work.

(c). Time and Cost Clerk.

He will fixes the standard time for each work and the cost incurred from each work. He will also keep the necessary records.

(ii). Executive Function.

The following persons are involved in the Executive function.

(a). Speed Bass.

He advises the worker to complete the work within the standard time and the speed boss sees whether each work is completed in time or not.

(b). Inspector.

His duty is to checks up the quality of each work and certifies it as standard. Actually, the accuracy of work is checked with reference to specifications.

(c). Repair Boss.

He will keep all the tools and machines in the factory in perfect working Condition.

(d). Gang Boss.

His duty is to keep all the materials and tools ready for workers to perform the work without any delay.

(iii). Co-ordination Function.

(a). Disciplinarian.

To co-ordinate the work of all the seven persons and maintain discipline in all departments.

4. Scientific Selection and Training.

The workers should be selected scientifically. Next the appointment should be given to each worker according to the nature of the job requirements and qualifications. Adequate training should be provided new and existing workers in order to update their knowledge.

5. Rate Setting.

F.W.Taylor emphasized upon fair wages to workers, and had recommended differential piece rate wage system. The reason is that differential piece rate wage system may act as an incentive to lazy and less efficient workers.

6. Standardization.

Standards must be maintained in respect of a instrument and tools, period of work, amount of work, working conditions, cost of production etc. These are fixed on the basis of job analysis.

7. Financial Incentives.

Financial incentives can motivate the workers to put up their maximum efforts. Taylor has suggested that wages should be based on individual performance and not on the position which he occupies.

8. Mental Revaluation.

Scientific management is based on co-operation between management and workers. Co-operation enhances the effective managerial activities. Hence, every worker and employer must have give and take policy and good look on each other.

9. Economy.

Taylor suggested has economy, the efficient use of available resources are used to the fullest possible, maximum profit earned through this process and it reduced wastages.

2. Henry Fayol (1841 – 1925)

Henry Fayol, a French industrialist is known as the "Father of Modern Management theory". Henry fayol was trained as a mining engineer, he joined a cool and iron company as an apprentice and reached to top position of Managing Director.

In 1916, he published a monograph tittled " The General and Industrial Management" Fayol's famous book fall into two parts. The first part is concerned with the theory of administration in which fayol divided the total industrial activities into six categories and second part is concerned with the fourteen principles of management.

The General and Industrial Administration.

(I). Theory of Administration

1. Technical.
2. Commercial
3. Financial
4. Security
5. Accounting
6. Managerial.

(II). Fourteen principles of management.

1. Division of Work.
2. Authority and Responsibility.
3. Discipline.
4. Unity of Command.
5. Unity of Direction.
6. Subordination of Individual interest to Group Interest.
7. Remuneration of Personnel.

8. Centralization.
9. Scalar Chain.
10. Order.
11. Equity.
12. Stability of Tenure of Personnel.
13. Initiative.
14. Esprit De Corps.

(I). Theory of Administration.

Henry Fayol classified all the business activities into six functions. They are: –

1. Technical – It includes production and Manufacturing.
2. Commercial – It includes purchasing and selling of products and exchange.
3. Financial – It includes identification and utilization of available funds.
4. Security - It includes the activities relating to the steps taken to protect the property of the Enterprise and Person.
5. Accounting – It includes relating to recording and maintaining of accounts, stock taking and Preparation of cost sheets and balance sheet.
6. Managerial – It includes the activities relating to Planning, Organizing, Commanding, Co-coordinating and Controlling.

The successful functioning of any business depends upon the performance of the above six functions.

(II). Fourteen principles of management.

Henry Fayol developed 14 basic Principles of management. These are-

1. Division of Work.

Total work to be done is divided into small parts, each entrusted to a particular individual. To consider an example, the making of a shirt involves a number of activities to be carried out like cutting the cloth, stitching, button stitching, ironing etc. All these activities will be performed by different individuals and not by one person under division of labour /work. As each individual performs only a particular activity, he becomes a specialist in particular work.

2. Authority and Responsibility.

Authority : It is the power given to a person to get work from his subordinates.

Responsibility : It is the kind and amount of work expected of from a man by his superior. One of the essential elements of a good management is delegation of authority to the lower levels of management and fixing responsibility on its own.

3. Discipline.

Discipline is very essential for the smooth functioning of an organization. Discipline means following rules and regulations policies and procedures by all employees of an organization

4. Unity of Command.

All employees must receive orders and instructions from one superior only. Multiple commands will cause conflicts and confusions. A sound management should avoid dual commands.

5. Unity of Direction.

Unity of direction signifies each group of activities having the same objective with one head and one plan. All the groups should coordinate and work together to achieve the common goals.

6. Subordination of Individual interest to general interest.

Every employee is working in an organization and his interest is to earn money to meet his personal needs. The general interest of the organisation is the development and the progress of the organization. The superior should set an example in firmness and goodness. Common interest must prevail over individual interest.

7. Remuneration.

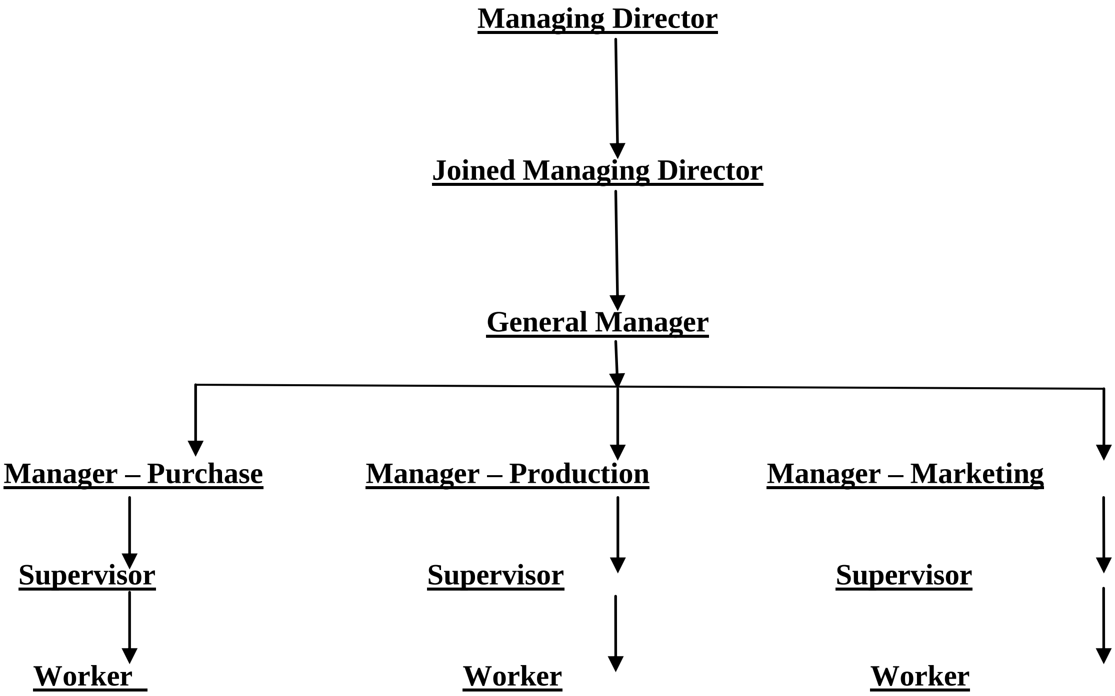
Remuneration payable to the employees should be fair and should give maximum satisfaction to both the employees and the employers. The wages are determined on the basis of work done and educational qualification and payment of wages without delay in any circumstances.

8. Centralization.

Everything increases the importance of superior's role in centralization while everything decreases the importance of superior's role in decentralization. In small firms, authority is centralized and large firm's authority is decentralized.

9. Scalar Chain.

Scalar chain principle states that instructions and orders should be sent from the top management to the bottom management. Every communication should follow the prescribed line of authority.



10. Order.

In any organization materials and for men are provided in correct places so that materials can be easily taken out and men easily located and also saved time. Order classified in two types: Material order – A place for everything and everything in its place and Social order – A place for everyone and everyone in its place.

11. Equity.

Equity refers to the treatment of employees equally. Equal treatment of the employees helps to achieve organisational goals and will help to promote cordial relationship between the workers and the management.

12. Stability of Tenure of Personnel.

The security of job is an essential one. Insecurity of job results in the higher labour turnover, it increases the administration expenses. Employee has committed a mistake; no employee should be removed from service or transfer from one department to other department. It provides adequate training to the employees.

13. Initiative.

It is concerned with thinking and execution of a plan. When employees come forward with new ideas, methods, they must be encouraged by the superiors. It will create moral among the employee and reveal that fullest performance for Particular work.

14. Esprit – de –Corps or Team work.

The work done in any organizations teamwork. Team spirit and co-operation among the members of an organization are essential for its success. Informal relationships among the employees should be encouraged.

3. Elton Mayo (1880 – 1949).

Elton Mayo was a professor of industrial psychology at the Harvard Business School. Elton Mayo and team of researchers that conducted the famous Hawthorne Experiments. These experiments were conducted at the Hawthorne Plant of Western Electric Company in Chicago, U.S.A. The Hawthorne plant was a manufacturing telephone system bell. Nearly 30,000 employees worked during this experiment period.

The objective of the experiment was to find out the begaviour and attitudes of employees under better working conditions. The benefits of pension and medical allowance were available to the employees. Besides, the management arranged recreational facilities. Even though, the employees derived job satisfaction. The productivity of the employees was not up to the expectations. So, in 1924, the management requested National Academy of sciences to investigate the reasons for dissatisfaction of employees and decrease in productivity. On the basis, Professor Elton mayo and his team conducted researches in the following four stages.

(a). Illumination Experiments. (1924 – 1927).

(b). Relay Assembly Test Room Experiments. (1927 – 1928).

(c). Mass Interview Programme. (1928 – 1930).

(d). Bank Wiring Observation Room Experiments. (1932 -1932).

(a). Illumination Experiments. (1924 – 1927).

This research was conducted to determine the effects of changes in lighting on productivity. The basic assumption of this research was that high lighting leads to productivity or to study about the effect of the quality of lighting in the workroom on the efficiency of the workers. This experiment was conducted for two and a half years.

(b). Relay Assembly Test Room Experiments. (1927 – 1928).

In these experiments certain changes were introduced to examine their impact on productivity. These changes were change in the incentive system of wage payment, introduction of rest pauses, shorter workers hours etc. The changes were introduced in consultation with workers; they were free to express their opinions and concerns to the supervisor and in some cases they were allowed to take decisions on matters concerning themselves. What surprised the researchers was that the productivity increased; even when these changes were withdrawn.

(c). Mass Interview Programme. (1928 – 1930).

The interview programme was conducted to determine employee's attitudes towards company, supervision, insurance plans, promotion and wages. Nearly 20,000 employees were interviewed, many of whom were interviewed more than once. This interview programme was started on September 1928 and ended on February 1929.

Initially the interviews were conducted by asking direct questions like, "Do you like the supervisor?" etc. But subsequently, the pattern of interviewing was changed to 'non directed type' in which interviewers did not put questions; but just listened to what workers had to say in regard to these matters.

(d). Bank Wiring Observation Room Experiments. (1932 -1932).

Under this experiment, a group has been formed t conduct this experiment. This group consisted of fourteen male workers. Out of these fourteen male workers, nine were wiremen, three were soldier men and two were inspectors.

The main aim of this experiment was to analyze how a group could influence a worker to restrict his output even in the face of attractive incentive schemes for larger output. Hourly rate of wage was fixed on the basis of average output of each worker and a group bonus scheme was announced. Group bonus was to be determined on the basis of average group output. It was assumed that workers would produce more and more in order to get maximum group bonus. Besides, the workers could help each other to produce more.

Elton Mayo and team of researchers suggested that the following points for effective utilization of available resource and also achieving the targeted results.

1. To provide suitable working conditions in man, material and machines.
2. To Maintain Cordial relationship between Employer and Employees.
3. Human and liberal attitude of supervisor helps in improving performance of work.
4. To Provide Monetary and Non Monetary benefits to the all level of Employees.
5. To Maintain Co-operation and Co-ordination and Bond relationship in department wise and all level of Employees.
6. Management must learn to develop co-operative attitudes and not rely merely on Command.
7. Productivity is linked with employees satisfaction in any business organization. Therefore, management must take greater interest in employees satisfaction.
8. Participation becomes an important instrument in human relations movement. In order to achieve participation, effective two way communication network is essential.

4. Peter F.Drucker.

Peter F.Drucker is a professor, Management consultant and a great management thinker. He has become a legendary figure in the world of management.

Drucker has viewed: "Managing a business cannot be a bureaucratic, an administrative or even a policy-making job... must be a creative rather than adaptive task. Hence, introducing the new management concept of *Management By Objectives* (MBO) for better performance of the any organization.

Management By Objectives (MBO).

Management by Objectives can be described as a process whereby:

(a).The Superior and Sub-ordinate managers of an organization jointly identify its common goals,

(b).Define each individual's major area of responsibility in terms results expected of him and

(c). Use these measures as guides for operating the unit and assessing the contributions of each of its member.

Steps in MBO or Process of MBO.

↓

Establishment of Objectives

↓

Defining Individual Responsibility

↓

Evaluation Performance

Steps in MBO or Process of MBO.

The following are the stages involved in the process of MBO:

1. Establishment of Objectives.

The primary steps in MBO is identification of objectives or Establishment of objectives. These objectives are to be determined by the superiors and subordinates based on an analysis and judgment of work can be achieved by an organisation with in a period of time.

While determining these objectives, the following factors are to be born in mind:

- Strength and weakness of an organization.
- The objectives should be flexible to adopt modifications or necessary changes.
- Key area of the results such as Profits, Production capacity, Market Performance, Financial resources etc.
- The sufficiency of resources of an organization for achieving it objectives.

2. Defining Individual Responsibility.

Once the objectives of enterprise have been established, objectives of individual departments will have to be set clearly.

3. Evaluation Performance.

In this phase, the actual results are compared with the predetermined standards of each departments as well as employees. If it is found that the subordinate has successfully accomplished his tasks, he gets not only appreciation but also reward in the form of promotion or such other benefit. If the performance of the subordinate is *not satisfactory*, he may be given additional training to carry out his tasks better in the next period.

Advantages of MBO.

1. Clear Goals.

MBO insists upon precise, clear cut and measurable goals. The goals arrived at after the meeting of various levels of members of the organization results in team spirit and commitment.

2. Control Easier.

A clear set of verifiable goals serve as a basis for better control.

3. Better Communication.

MBO Promotes better communication relationship between the superior and his subordinates.

4. Motivational Force.

MBO offers a feeling of true participation in the task from its inception. It enables the superior and subordinates committed to the same goals.

5. Moral.

Participative decision-making and two way communication psychologically influence the subordinates and results in better morale among the employees.

Disadvantages of MBO.

1. Time Consuming Process.

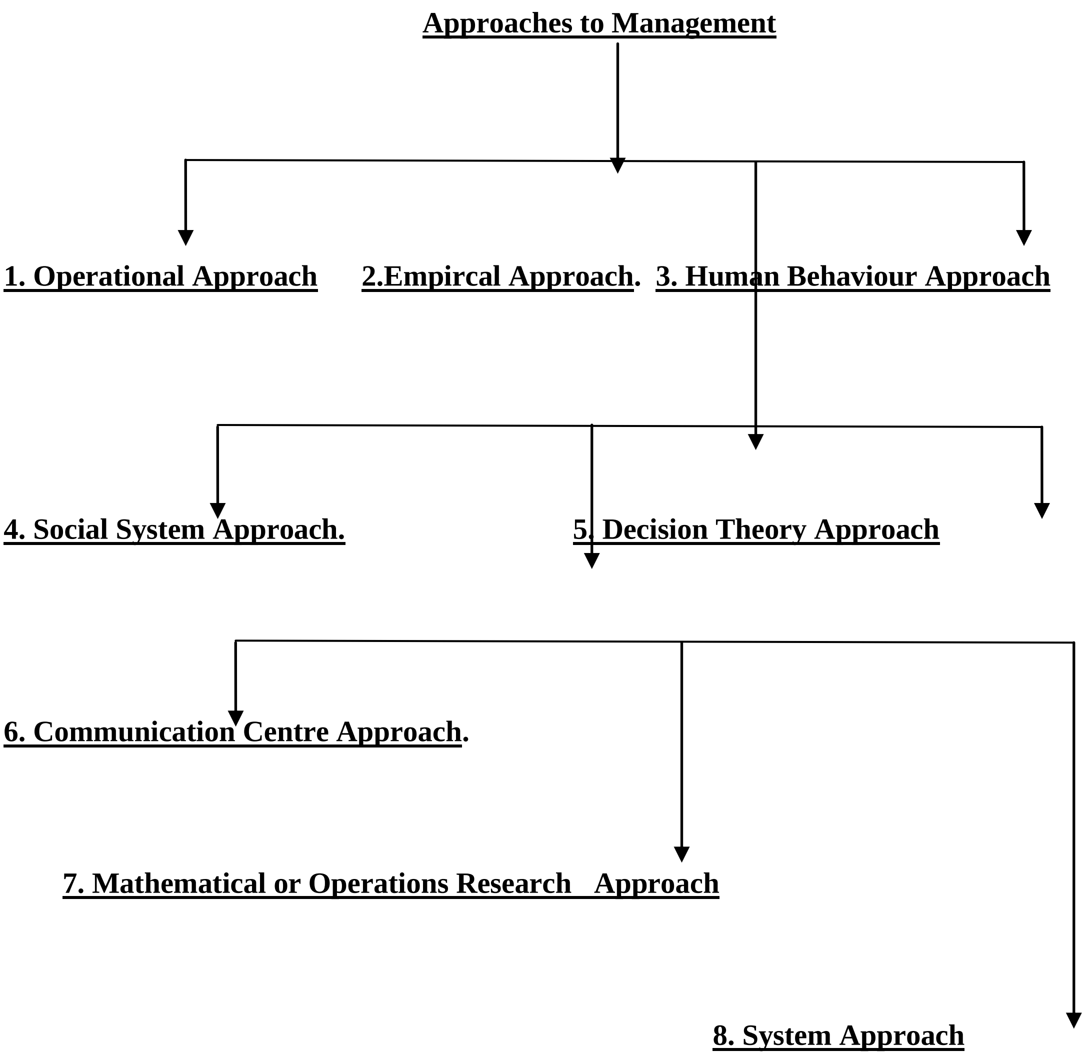
Initial goal setting requires a lot of time at all levels of the organisation. The periodic progress and final review sessions also consume time.

2. Increase Paper Work.

MBO Process requires a lot of reports, instructions, manuals and newsletters. To be aware of what is going on, regular reports and performance data are sent to the top management. Therefore, MBO increases paper work.

1.11 APPROACHES TO MANAGEMENT or MODERN APPROACH TO MANAGEMENT or RECENT DEVELOPMENT MANAGEMENT THEORY.

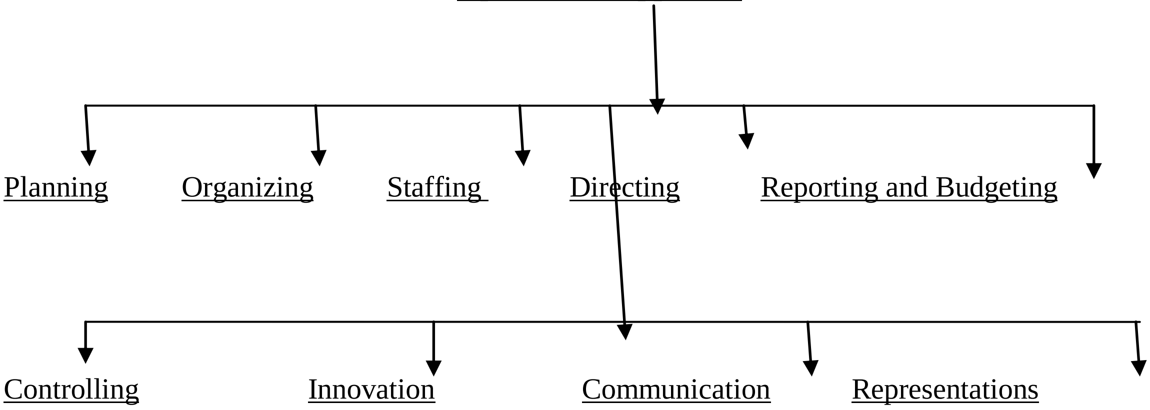
According to Koontz and O' Donnel, there are eight approaches to management for the purpose of efficient utilization available resources.



1. Operational Approach.

This approach regards management as a process of getting things done through the efforts of other people. Hence, this approach is known as operational approach. It seeks to analyse all the functions or process of management. Operational approach it consisting the following process of management for effective utilization of available resources.

Operational Approach



2. The empirical or Case Study Approach.

The advocates of this school believe that management is a study of experiences of managers. This approach is based on the assumptions that the experiences, methods and techniques of successful managers will provide a guideline to other practitioners. The following are the broad features of empirical school of management.

(a).Management is the study of experience.

(b).The managerial experience can be passed over to the practitioners and students.

(c).The techniques used by successful managers in the past can be used by future managers.

(d).By studying the experience of large number of managers some sort of generalizations can be made.

3. Human Behaviour Approach.

The exponents of this approach have viewed that managing depends upon the relationship among the people working in the organisation. In their opinion, good management rests on the ability of managers to develop interpersonal competence among members and to support collaborative effort at all levels of the organisation. Hence, the study of management should be confined to the human behaviour in organisation and related matters.

4. Social System Approach.

The exponents of this approach have looked upon organisation as a social system composed of people who work co-operation, co-operative interaction of the ideas, forces, desires and thinking of two or more people.

5. The Decision Theory Approach.

The exponents of this approach viewed decision-making as the core of management practice. This approach believes that decision-making is the central focus of management theory. This approach is significant to practising managers. The management should take all decisions discussed in all levels of management and then implementation of Decision-making.

6. The Communication Centre Approach.

This approach emphasizes the role of communication in managing the affairs of the enterprise. It regards the manager as a communication centre.

7. The Mathematical or Operational Research Approach.

The exponents of this approach have viewed management as a system of logical processes which can be expressed in mathematical symbols and relationships. The problems of management can be solved through the application of appropriate simulation and analytical mathematical techniques.

This approach provides a powerful and logical tool for simplifying and solving complex problems in related the Management. Linear Programming, Game Theory, Index Number, Time Series Analysis, Simulation, and Queuing Theory are some of the quantitative techniques widely used in managerial practice.

8. Systems Approach.

System is a set of interrelated and interdependent parts arranged in a manner that produces a unified whole. While an organization as a whole is a system, the various components or parts within it are called the subsystem. Thus, a department is subsystem of the organization. The systems approach to management is based on the belief that organizations can be visualized as systems of interrelated parts or subsystems that operate as a whole in pursuit of common goals. An organization as a system is composed of five elements:

(a). Input.

The various human, materials, financial, equipment and informational resources required to produce goods and services.

(b).Transformation Processes.

The organization managerial and technological abilities are applied to convert inputs into outputs.

(c). Output.

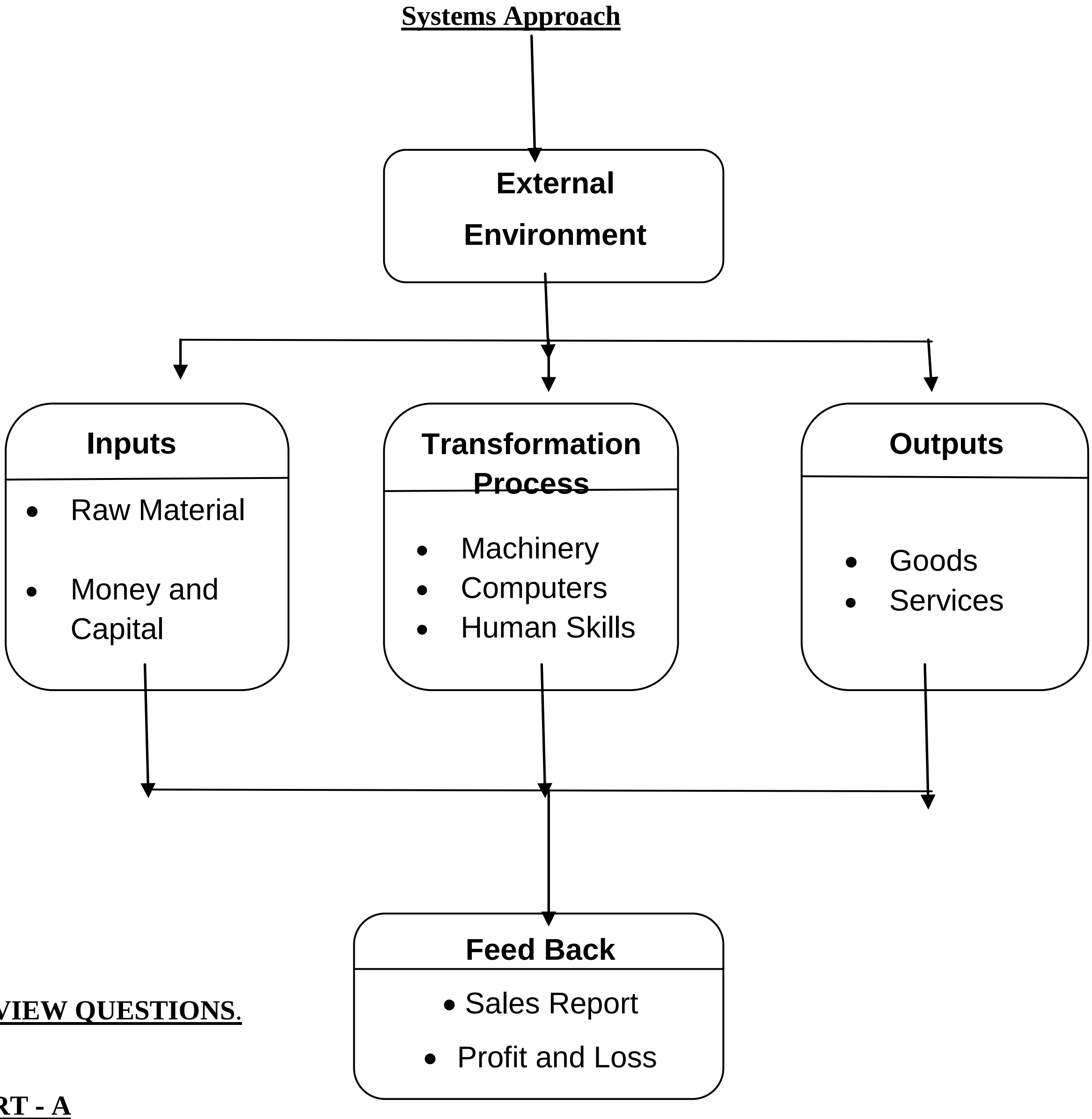
The products, services and other outcomes produced by the organization.

(d).Feedback.

Information is about results and organizational status relative to its environment.

(e).Environment.

The set of forces and conditions operate beyond an organization boundaries but affect a manager's ability to acquire and utilize resources.



REVIEW QUESTIONS.

PART - A

1. Define Management.
2. Define Administration.
3. What is MBO?
4. List out a Levels of Management.
5. Write is the roles of Management in Organization.
6. List out a Roles of Manager.
7. What is System Approach to Management?
8. What is Scientific Management?
9. What is Time Study and Motion Study?
10. What is Fourteen Principles of Management?
11. Explain Unity of Direction.

12. What is Authority?
13. What is Responsibility?
14. Comment: Management is both – A science and an art.
15. What is Centralization and Decentralizations?
16. What is Scalar Chain?
17. What is meant by Esprit Define crops?
18. Write some important functions of Top Level Management.
19. Write any two functions of Middle level Management
20. List the Functions of Management.
21. How does effectiveness differ from efficiency?
22. What is Social Responsibility?
23. What are challenges of Management?

PART - B

1. Distinguish between Management and Administration.
2. State the Roles of Manager.
3. Comment: Management is both – A science and an art.
4. State the System approach in Management.
5. Indicate the Levels of Management.
6. Describe the various processes involved in MBO.
7. State the major contributions of Hawthorne experiments towards the development of Management thought.
8. State the Charactertics of Management.

PART - C

1. Discuss the various functions of Management.
2. Explain Principles of Scientific Management.
3. Explain the fourteen principles of management, as advocated by Henry Fayol.
4. Explain the various processes involved in MBO.
4. Describe in detail about different approaches of Management.

UNIT – II

PLANNING

LEARNING OBJECTIVES.

After reading this unit, students will be able to:

- **Discuss the nature and concepts of Planning.**
- **Understand the importance of Planning.**
- **Understand the steps in Planning.**
- **Discuss the Components of Planning.**
- **Understand the meaning of Decision-making and its types.**
- **Learn the different stages of Decision-making process.**
- **Learn the Quantitative techniques in Decision-making process.**

2.1 PLANNING

Planning is an important and basic function of management. Planning is a critical managerial activity. It is the process of determining how the organization can get where it wants to go. It is a primary function of management because all other functions depend upon how the organization plans to achieve its objectives.

Planning is a decision-making activity involving the process of ascertaining objectives and deciding activities that are needed to attain these objectives. In planning, managers assess the future, determine the goals of the organization and develop the overall strategies to achieve these goals. Effective planning facilitates early achievement of objectives, which depends upon the efficiency of planner. A planner is a person who frames a plan to put his schemes into practice.

Planning is an intellectual profess of thinking resorted to decide a course of action which helps achieve the pre-determined objectives of the organization in future.

2.2. DEFINITION

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

George R.Terry, "Planning is the selecting and relating of facts and the making and using of assumptions regarding the future in the visualization and formulation or proposed activities believed necessary to achieve desired results."

Peter F. Drucker, "Planning is deciding in advance what is to be done. It involves the selection of objectives, policies, procedures and programmes from among alternatives."

Henry Fayol, "Planning is deciding the best alternatives among others to perform different managerial operations in order to achieve the per-determined goals"

Mary Cushing Niles, "Planning is the conscious of selecting and developing the best course of action to accomplish an objective. It is the basis from which future management action spring."

2.3. NATURE Or CHARACTERTICS OR PURPOSE OF PLANNING

(a). Planning is a primary function.

Planning is the primary function of management and it precedes all the function such as organizing, directing, controlling etc. There is no meaning of other activities without setting the goals to be achieved and line of action to be followed. In fact, all other functions of management largely depend upon planning.

(b). Planning contributes to objectives.

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

(c). Planning an intellectual activity.

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

(d). Planning results in higher efficiency.

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

(e). Planning is flexible.

Planning selects the best alternative based on certain assumptions. If the assumptions are proved wrong, the selected alternative tends to be an incorrect one. The is a possibility of a dead log in the functions of the management. Planning has one more alternative to suit future situations.

(f). Unity and Consistency.

The planning is related to the achievement of objectives. In other words, managerial actions of different managers are unified in order to achieve the objectives. Policies and procedures of the organization provide a basis for the consistency of executive behaviour and action in matter of planning.

(g). Planning is common to all.

Planning work is done by every person who is working in a business unit. He may be a managing director or a foreman. Being of a higher place, the planning for a managing director is to frame the policies and procedures to be adopted. Being a lower place, planning for a foreman is to allocate the work to his subordinates. So, planning is common to all.

(h). Basis for all managerial functions.

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

(i). Getting Co-ordination.

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

(j). Considering a limiting factor.

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

(k). Planning is both – long range and short-range.

Long range planning usually covers a period ranging from 3 to 5 or 7 years; while plans made for a period up to one year are regarded as short range plans. In fact short range plans are a part of long range plans; and the two sets of plans must be integrated perfectly to help realize the objective of the overall planning of the enterprise.

2.4 OBJECTIVES OF PLANNING

(a). Reduce uncertainty.

Future is an uncertainty. Planning may convert the uncertainty into certainty. This is possible to some extent by, planning which is necessary to reduce uncertainty.

(b). Brings co-operation and co-ordination.

Planning can bring co-operation and co-ordination among various sections of the organization. The rivalries and conflicts among departments could be avoided through planning. Besides, planning avoids duplication of work.

(c). Anticipates unpredictable contingencies.

Some events could not be predicted. These events are termed as contingencies these events may affect the smooth functioning of an enterprise. The planning provides a provision to meet such contingencies and tackle them successfully.

(d). Economy in operation.

Planning selects best alternatives among various available alternatives. This will lead to the best utilization of resources. The objectives of the organization are achieved easily.

(e). Achieving the pre determined goals.

Planning activities are aimed at achieving the objectives of the enterprise. The timely achievement of objectives is possible only through effective planning.

(f). Reduce competition.

The existence of competition enables the enterprise to get a chance for growth. At the same time, stiff competition should be avoided. It is possible, to reduce competition through planning.

(g). It guides the decision- making process.

Though planning, in itself, amounts to decision making; yet having formulated a plan once, it acts as a guide to the further decision making process undertaken by the management. In fact, the evaluation of various alternatives, developed during the decision making process, can be done on the basis of the net contribution of each such alternative to the planned objectives.

2.5 IMPORTANCE OF PLANNING.

(a). To manage by objectives.

All the activities of an organization are designed to achieve the framed objectives. However, planning makes the organization focus on the objectives for early achievement.

(b). Convert uncertainty into certainty.

Planning provides necessary provision to face the uncertainties. Besides, planning evaluates the alternative course of action for the continuous growth and prosperity of the organization.

(c). Economy in operation.

Planning selects any one of the available alternatives which will help produce the best result at minimum costs.

(d). Helps in co-ordination.

The co-ordination is obtained by the management through planning, well published policies, programmes and procedures. So, planning also helps the management get effective co-ordination.

(e). Tackling increasing complexities of business.

At present, there is need for many people with different qualifications to run a business. This makes it necessary for the management to plan the business activities clearly as to who is to do, what is to do done, where is to be done, when it is to be and how it is to be done.

(f). Effective Control.

Planning serves as a base for control. Planning determines the time for starting and completing the projects, set standards of performance. It enables the managers to control the activities.

(g). Effective utilization of resources.

Planning involves deciding in advance of the business activities. Then, the business activities are completed without any delay. It leads to effective utilization of resources at the cheapest and in the best manner.

(h). Avoiding business failures.

Planning includes the selection of best objectivities, conversion of uncertainty into certainty, economy in operation, co-ordination, facing the complexities, effective control and effective utilization of resources and avoiding business failures.

(i). Encourages motivation.

A well prepared plan encourages the employee's moral and confidence of the managers and gives them a sense of effective participation.

(j). Improves efficiency.

Planning facilitates optimum utilization of available resources. It helps to reduce const and hence, it increases efficiency.

2.6 STEPS IN PLANNING PROCESS.

The planning process is different from one plan to another and one organization to another. The following steps followed by planning process are commonly acceptable.

(1). Analysis of External Environment.

(2). Analysis of Internal Environment or Resource Audit.

(1). Analysis of External Environment.

(3). Determination of Objectives.

(4). Determining planning premises and constraints or Forecasting.

(5). Examination of alternative courses of action.

(6). Weighing of alternative course of action.

(7). Selection of the best alternative course of action.

(8). Establishing the sequence of activities.

(9). Formulation of action programme.

(10). Determining Secondary Plans.

(11). Securing Participation of Employees.

(12). Follow up and Evaluation.

(1). Analysis of External Environment.

It is necessary to consider the external environment of an organization. The term external environment includes socio- economic conditions and political conditions prevailing in a country. *Socio-economic condition refers to classification of society on the basis of income, age, class, living conditions, aspirations, expectations and the like. Political condition refers to classification of political situations, political environment, political climate and the like.* These factors are not controllable ones. But, every organization has to prepare the plan according to the changing trends in the external environment.

(2). Analysis of Internal Environment or Resource Audit.

Resource audit means an analysis of the strength and weakness of an organization. Due consideration is made on the availability of resources, profitability, plant capacity, available manpower, communication effectiveness and the like.

(3). Determination of Objectives.

The objectives of an organization are pre-planned. Objectives specify the results expected. Once the organizations objectives are determined, the section wise or department wise objectives are planned at the lower level. Defining objectives of every department is a very essential one; then only clear-cut direction is available to the departments. Control process is very easy if the objectives are clearly defined.

(4). Determining planning premises and constraints or Forecasting.

Planning premises is a identification of our assumptions as to future conditions – economic, social, political, technological etc. subject to which the plan would be expected to operate and reach its destination or attainment of objectives. It must be impressed that forecasting is essential to the establishment of planning premises.

Generally, forecasting is made in the following ways:

- What will be the market force? Market force refers to demand, supply, buying capacity and the like.
- The expectation of volume of sales and kind of products are to be sold and in what price?
- What would be their manufacturing costs?
- What would be the tax policy and economic policy of the Government?
- The expectation of technology change in production and how is the finance raised for expansion or modernization of the business?

Classification of Planning Premises.

(a). Internal and External Premises.

The factors which exist within a business enterprise are internal premises. The factors which are external to the enterprise are external premises. Internal forces include men, machines, money and methods. External forces include political, social economic and government policies.

(b). Tangible and Intangible Premises.

Tangible premises are those which can be quantified one way or the other. Intangible premises are those which defy quantification such as public relations, employee's morale and motivation. Though intangible premises cannot be expressed numerically, they cannot be ignored while planning.

(c). Controllable, semi controllable and uncontrollable premises.

Controllable premises are subject to the decision of management. Semi controllable premises are those over which management has partial control. Premises over which a business enterprise has no control are uncontrollable premises.

(d). Constant and Variable Premises.

Constant premises behave in the similar fashion irrespective of the course of action taken. They are definite, known and well understood. Variable premises very in relation to the course of action.

(5). Examination of alternative courses of action.

An action may be performed in many ways but a particular way is most suitable to the organization. Hence, the management should find alternative ways and examine them in the light of planning premises.

(6). Weighing of alternative course of action.

All the alternatives are not suitable to an organization. Each alternative has its own strong and weak points. So, there is a need for weighing all the alternatives to determine the best alternatives.

(7). Selection of the best alternative course of action.

The selection of the best alternative is based on the weighing of various alternatives. A course of action is determined according to the circumstances prevailing. No partiality is shown while selecting the best alternative.

(8). Establishing the sequence of activities.

The determined course of action is adopted for each section or department, product, for a quarter, month, week, etc. finally, the manager should draft a final plan in definite terms.

(9). Formulation of action programme.

The term action programme includes fixing time limit for performance, allocation of work to individuals and word schedule. These are necessary to achieve the objectives within the specified period.

(10). Determining Secondary Plans.

The preparation of a secondary plan is necessary to expedite the achievement of the basic plan. For example, once a basic plan of sales is decided upon, a number of secondary plans could be prepared. Here, the secondary plan includes production schedule, purchase of plant and machinery, purchase of raw materials, consumable stores, selection, training and placement of personnel and the like.

(11). Securing Participation of Employees.

The successful execution of any plan depends upon the extent of participation of employees. So, the management should involve employees in planning through communication, consultation and participation.

(12). Follow up and Evaluation.

The management should watch how the planning is being done. The shortcomings of planning can be identified through a follow up action and rectified then the there. The continuous evaluation of planning is also necessary. It means that the actual performance is compared with the planning and then corrective action is taken if there is any deviation.

2.7 TYPES OF PLANS

(a). Standard or Repeated Use Plans and Single Use Plans.

Standing or repeated-use plans are plans which are to be used repeatedly (i.e., over and over again) over a long period of time for tackling frequently recurring problems and issues. They give ready-made answers to issues which occur again and again. Standing plans serve as guideline for managerial decision-making and actions. They make managerial decisions and actions easy and increase managerial efficiency, as they offer standard procedures for tackling similar and frequently recurring problems and issues. Standing plans it includes the Objectives, Policies, Procedures, Methods, Rules and Strategies

(b). Financial plans and Non-financial Plans.

Financial plans or cash plans are plans which relate to the monetary or financial resources of the concern. They determine the sources from which finance can be secured and the amounts which can be allocated to various purposes.

Non-financial plans or non cash plans are plans which relate the physical resources, and not to financial resources, and for the concern. It may be rioted that through financial plans are more important than non-financial plans. It is as Important as financial plans.

(c). Formal Plans and Informal Plans.

Formal plans are plans which are reduced to black and white (i.e., put on paper). In other words1 formal plans are plans which specify in writing the specific objectives to be achieved and the steps to be taken to achieve those objectives. Formal plans are systematic and rational. They are quite necessary for the successful running of a concern.

Informal plans are mere thinking by some individuals of a concern. Of course, informal plans in future. Informal plans promote unhealthy tendencies like carelessness, ineffective employee performance, etc. informal plans are not much use for the smooth running of the enterprise.

(d). Specific plans & Routine plans.

Specific plans are plans for specified or particular purposes. Preparation of specific plans js a difficult task, because the methods to be designed for specific purposes have to be specially planned and formulated.

Routine plans ware plans which are routine or mechanical are called routine plans. Preparation of routine plans is not difficult. In the case of the routine plans, the methods determined for accomplishing the objectives of the organization will remain the same during a particular period without major changes

(e). Administrative plans & Operative plans.

Administrative plans are plans which determine the basis of action for the whole organization as well as for the various segments of the organization for a particular period. Administrative plans are done by the middle- level management, and they provide guidelines for operative plans.

Operative plans are plans which are concerned with the actual execution of dayto-day operations of the concern. Operative plans are, generally, for a short period. They are prepared by the lower level of management who put the administrative plans into action. Operative or operating plans cover aspects, such as preparation of sales programme, planning of production activities, etc.

(f). Short-range plans & Long-range plans.

Short range plans are plans which, generally, cover a period of one year. Short range or short term plans are concerned with the determination of short term activities to accomplish long term objectives. As short term plans are intended to achieve long term objectives, short range plans have to be consistent with long range plans. Short range plans are more action-oriented, more detailed, specific and quantitative.

Long range plans which cover a period of years or more. The length of the period varies from one concern to another depending upon the nature of the business, the risks and uncertainties, government control; etc. they care concerned with the formulation of long-term goals of enterprise and the determination of the ways and means of achieving those goals.

(h) Strategic plans & Tactical plans.

Strategic plans are plans designed to achieve the overall or general objectives of the organization. Strategic plans are done by the top level management. They are concerned with the enterprise, the formulation of policies and the determination of strategies to be adopted and other steps to be taken to accomplish those objectives.

Tactical plans are plans which are concerned with the planning of detailed operations needed to achieve the organizational goals. Tactical plans are intended to meet any changes in internal organization and external environment. For instance, difficulty in procuring raw materials, changes in prices of products, unexpected moves by the competitors and other unforeseen situations are met with the help of tactical plans.

2.8 COMPONENTS OF PLANNING Or METHODS OF PLANNING Or ELEMENTS OF PLANNING Or TYPES OF PLANNING Or STRUCTURE OF PLANNING.

STRUCURE OF PLANNING

(I). STANDING PLANS

(a). Mission.
(b). Policies.
(c). Procedures.
(d). Rules.
(e). Strategy
(f). Methods.
(g). Standards.

(II). SINGLE USE PLANS

(a). Objectives.
(b). Budgets.
(c). Programmes
(d). Projects

<u>(I). STANDING PLANS</u>

Standing plans are those plans which are meant for use in the organization for quite longer period of time. These are either guides to thinking or guides to action. Standing plans are subject to periodic review by the management; and depending on fundamental changes in the organizational environment (internal and external) such plans are suitably modified.

Elements of Standing Plans

(a). Mission.

(b). Policies.

(c). Procedures.

(d). Rules.

(e). Strategy

(f). Methods.

(g). Standards.

(a). Mission.

The word 'Mission' as a type of plan explains the most fundamental purposes of an enterprise. It explains the reason for the existence of an organization. Mission gives gives a clear-cut idea about basic long run commitment of an organization. *For example, the mission of the Government of a country might be eradication of poverty; the mission of a University might be imparting higher level education to the largest possible number of people of society and encouraging research maximally; and the mission of a manufacturing enterprise might be producing high quality goods for the common men of society at the most affordable price and so on.*

(b). Policies.

Policy is a part of planning, is important in providing a norm or guidelines to take a valuable decisions. In other words, Policy is a statement of guidance and instruction; which defines and confines the area of discretion of subordinates in matters of decision making. *For example, a policy of the marketing manager to extend credit to customers for a maximum period of 30 days, authorizes salespersons to extend credit to their customers for any period say, a fortnight, or 20 or 25 days; which amounts to the boundary line of policy of credit to customers. A policy allows freedom to subordinates to decide issue within the limits laid down by it; but does not authorize them to take decisions which cut-across the boundaries of the policy.*

Charactertics of Policies.

- A policy gives guidelines to the employees of the organization for taking a decision.
- A policy provides and explains an employee as how and what he should do rather than what he is doing.
- A policy is framed on the basis of the objectives of the organization.
- A policy permits the top executives to delegate authority and still retain control of action.

- A policy is generally expressed in qualitative, conditional or general way.
- A policy is framed by all managers in an organization in their respective areas.

TYPES OF POLICY.

1. Internal Policy or Originated Policy.

This type of policy is formulated by the management executive at different levels- top, middle and lower level of management. Internal policy is prepared on the basis of nature of business and scope of the management. If a policy is prepared by top management people, it is applicable to the whole organization

2. External Policy or Imposed Policy.

An outsider of an organization may be instrumental to the formulation of a policy. For example, if the Government places an order regarding the working conditions of the employees, the organization is bound to formulate a policy to provide such type of working conditions. In this way external policy is formulated.

3. Appealed Policy.

This type of policy is formulated only on the requests of the sub-ordinates. This policy helps the sub ordinates to handle some situations. If the existing policies don not give any scope to handle extraordinary situations; appealed policy is to be formulated.

4. General Policy.

A policy which does not create an impact on the performance of the employees. This policy may represent the philosophy of the top management executives. For example, motivating the employees to do a job in a better way. It is a general policy.

5. Specific Policy.

A policy is formulated with regard to any specific issue ,i.e. transfer, promotion, compensation etc. A specific policy must confirm to the broad outlines mentioned in the general policy.

6. Implicit Policy.

A policy is inferred from the behavior of the superior. It is an implicit policy. Such policies are more flexible then other policies.

7. Written Policy.

A policy is formulated and intimated in written form. It is a written policy. Here, there is no possibility of any degree deviation. Everyone should adhere to the written policy.

(c). Procedures.

Actual performance of assigned work is completed with the help of procedure. A well formulated policy is properly implemented with the help of procedure. The procedure decides the task to be performed specifically and the persons who will perform the work within a specified time. In other words, procedure is a establishing sequences of activities by identifying different phases of the work and completing the work successfully with the help of available resources in order to achieve the objectives of an organization.

Importance of Procedure.

- Procedure specifies the steps to be taken, time and order of performance of a work.
- Procedure facilitates the management to exercise control function.
- Procedure gives a readymade solution to solve repetitive problems.
- Procedure helps the employees to improve their efficiency adhering to the standard.
- Procedure facilitates the co-ordination of function of the top management people.
- Procedure ensures consistency and uniformity of action.

DIFFERENCE BETWEEN POLICY AND PROCEDURE.

POLICY	PROCEDURE
1. It is formulated by top management people.	It is formulated by middle level and lower level management people.
2. It guides the thinking and decision making process.	It is guides the action process.
3. It is derived from the objectives of an Organization.	It is derived from the policies of an organization.
4. It acts as a bridge between purpose and performance.	It acts as a bridge between activities and results.
5. It is a part of strategy.	It is a tool of tactics.

(d). Rules.

A rule is a guide to employees who are working in an organization like a procedure. A rule specifies what is to be done and what may not be done in a given situation. Rule is indicates the limits of acceptable behaviour of the employees of an organization. Rule helps the manager to improve the efficiency and predict the behaviour of subordinates in the given situation. Rules channel the behaviour of employees towards the accomplishment of objectives and also in maintaining the discipline

(e). Strategy.

The concept of strategy in the field of business management is probably, a borrowing from the military organizations; where it means a grand plan of attack designed in view of the likely actions and reactions of the enemy. In other words, Strategy means the modification of policies in accordance with the tactics adopted by competitors. Strategy is a special type of plan prepared for meeting the challenge posted by the activities of competitors and other environmental forces.

Charactertics of Strategy.

- Strategy is the action relating to the organization with its environment by determining its objectives.
- It is the right combination of external and internal factors.
- It is the relative combination of action.

It may involve even contradictory action and forward looking.

(f). Methods.

A method is a standing plan which is more specific and detailed than a procedure. Method specifies the way in which the specified work is to be performed. A method is the manual or mechanical means by which each work or operation is performed. Therefore, it is helpful in the use of a procedure with minimum expenditure of time, money and efforts. It helps in the smooth functioning of the organization.

(g). Standards.

Standard is a norm or criteria against which performance is compared and evaluated. In short, a standard is a guide for performance evaluation. A company may set up a variety of standards expressing the anticipated results of the plans. Qualitative and quantitative standards are established in each area of business. For example, physical standards, quality standards, personnel standards, performance standards, standards of service and conduct, etc.

II. SINGLE USE PLANS

Single use plans are those plans, which are executed once for all; and after execution of these plans, new plans, in lieu of old plans, are formulated to keep the circle of planning going on continuously.

Elements of Single use plans

(a). Objectives or Goals.

(b). Budgets

(c). Programmes

(d). Projects

(a). Objectives or Goals.

Objectives are the results which management wants to achieve through the making and implementation of a plan. These, in fact are the goals towards which a plan is directed. Objectives are the goals, aims or purpose that organizations wish to achieve over varying periods of time. Objectives provide a sense of direction to the thinking process of the planner: and to the action process of the operations of the plan.

Charactertics of objectives.

- Every organization has some objectives. Members in the organization try to achieve the objectives.
- Objectives may pertain to a wide or narrow part of the organization.
- Objectives must be clearly defined.

- Objectives may be broad at the top level and may be broken into specific objectives at the department level.
- The objectives of the organization must confirm to the general needs of the society.
- An organization may have multiple objectives, i.e., Major objectives, Minor objectives, Short term objectives, Long term objectives, Economic objectives and Social objectives.

(b). Budgets.

A budget as a plan is a statement of expected results expressed in numerical terms. For example, units of output, man-hours, machine hours, sales targets, expense estimates in money terms or revenue estimates in money terms etc. In fact, in order to give a specific appearance to plans and make these understandable and actionable, a traditional management device is to convert all plans into budgets.

(c). Programmes.

A programme is a plan of action, it indicating what work is to be done to carry out a particular objective. For example, to popularize the product, there is a need for an advertising programme. Again, to improve the skills of personnel in performing their jobs; there is required a 'training and development' programme. For undertaking the manufacturing activities, there is a production programme, and so on. As matter of fact, in an enterprise, for a particular period of time, there are a large number of programmes – each of them being developed with a focus on some specific objective.

(d). Projects.

A project is actually, a part of some programme of the enterprise. It is, in a way, a special type of programme, being either of a technical nature requiring expertise in execution or of a financial nature involving huge capital outlays –

Some of the examples of projects could be:-

- Establishment of a new factory.
- A 'training project' for imparting instructions in the use of some new technology.
- A research projects formulated for suggesting improvements in the quality or durability of products or coming out with some innovations, in these regards.

2.9 DECISION MAKING

Decision-making is also one the functions of management. The management executive takes a number of decisions every day. They are not able to discharge their duties without taking any decisions. A decision may be a direction to others to do or not to do. Best decision making is necessary for effective functioning of management. The success of management depends upon the quality of decision. If the manager fails to take correct decision, he may not extract any work from his subordinates and may not find a way to finish his work also. So, the decision-making is an important work of the superiors or higher authority.

2.10 DEFINITON.

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

Andrew Smilagyi, "Decision-making is a process involving information, choice of alternative actions, implementations and evaluation that is directed to the achievement of certain stated goals"

R.S.Davar, "Decision-making may be defined as the selection based on some criteria of one behavior alternative from two or more possible alternatives"

2.11 CHARACTERISTICS OF DECISION-MAKING.

- Decision-making is a selection process. The best alternative is selected out of many available alternatives.
- Decision-making is a goal oriented process. Decisions are made to achieve some goal or objective.
- Decision-making is the end process. It is preceded by detailed discussion and selection of alternatives.
- Decision making is a human and rational process involving the application of intellectual abilities. It involves deep thinking and foreseeing things.
- Decision-making is a dynamic process. An individual takes a number of decisions each day.
- Decision-making is continuous or ongoing process. Managers have to take a series of decision on particular problem.
- Decision-making is taken to achieve the objective of an organization.
- Decisions may be negative or positive. A decision may direct to do or not to do.

2.12 DECISION MAKING PROCESS OR RATIONAL DECISION MAKING PROCESS.

Decision-making is not an easy job. It requires a lot of skill. A decision-making is affected by a number of factors. So, the manager can take good decisions by adopting a procedure. A manager may not be able to take good decisions if he fails to follow a sequential set of steps. The decision-making process depends upon the nature of problem and the nature of organization. The following process is followed in taking quality decisions in any situations:

DECISION MAKING PROCESS OR RATIONAL DECISION MAKING PROCESS.

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Identification of a problem.

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Diagnosing the problem.

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Collect and analyze the relevant information.

↓

Discovery of alternative course of action.

↓

Analyzing the alternatives.

↓

Screening of alternatives.

↓

Selection of best alternatives.

↓

Conversion of decision into action.

↓

Implementation.

↓

Verifying the decision.

1. Identification of a problem.

Identification of a problem means recognition of a problem. Problem arises due to difference between what is and what should be. The changes of business environment form the main reason for creating of a problem. So, the manager should define what the problem is. A well defined problem is half solved. Then, the manager should find the causes of a problem. This is not an easy job. Finding of caused of a problem is used to take quality decision. The manager should continuously watch the decision-making environment and understand the real problem and its cause,

The manager may look into the management reports, find deviations from budget if any, compare the company's results with the competitors results and efficiency of employees etc. these are used to identify the problem correctly. Here, the manager has to use his experience, imagination and judgment in order to find out the real nature of the problem.

2. Diagnosing the problem.

There is a slight difference between problem identification and diagnosing the problem. A doctor can diagnose the disease of a patient. A patient cannot find out what is the real disease. But, a doctor can do so with the information given by a patient. Information is very useful to the doctor for given a correct treatment. In management, the manager is acting as a doctor while diagnosing the problem.

3. Collect and analyze the relevant information.

The next step is that required at various levels of information should be collected by the manager. Then, the manager has to study the information with great care. It is very useful to analyze the problem from different angles. If the problem is analyzed from different angles, a quality and quick decision may be taken by the manager.

4. Discovery of alternative course of action.

Creative thinking is necessary to develop or discover many alternative courses of action. If there is no alternative, there is no need of taking a decision. If there are more and more of alternatives, the manager will have more freedom to take a decision. A problem can be solved in many ways. At the same time, a solved problem should not arise again in the future. It is advisable to the manager that he should discover a number of alternatives along with the limiting factors such as, time, cost, benefit etc.

5. Analyzing the alternatives.

Next, the pros and cons of available alternatives are analyzed. Some alternatives offer maximum benefits than others. An alternative is compared with other alternatives. The decision maker can prepare a list of cost and benefits of each alternative.

6. Screening of alternatives.

The available alternatives are screened in the order of maximum benefits derived for them. Each alternative is evaluated in terms of risks involved in implementing them. Both tangible and intangible factors are considered while evaluating or screening each alternative.

Tangible factors include profits earned, time taken, money invested, rate of return on investment, rate of depreciation etc. intangible factors include public relations, goodwill of the company, loyalty of employees etc. sometimes, two or more alternatives are equally suitable by nature. The decision maker should find the actual difference of alternatives which will be the deciding factor to select an alternative. *The following factors are to be considered to evaluate the available alternative course of action.*

(a). Risk *– Degree of risks associated with each alternative.*

(b). Economy of efforts *– Cost, time and effort involved in each alternative.*

(c). Timing or Situation *– Whether the problem is urgent.*

(d). Limitations of resources *– Physical, financial and human resources available with the organization.*

7. Selection of best alternatives.

Now, the decision maker can select the best alternative after careful evaluation. An alternative which gives maximum benefits to the organization is selected. At the same time, the selected alternative should fit with the organizational objectives. The following approaches may be adopted while selected an alternative.

(a). Experience.

A manager can select an alternative on the basis of his past experience. The past decisions may be rationally amended to suit the present situation. So, the past experience helps a lot to the manager in taking a decision.

(b). Experimentation.

Each alternative is put into practice and the results are observed under this approach. An alternative which gives best results will be selected. For example, before an organization finally selects production techniques which result in a quality production with minimum loss and expenses.

(c). Research and analysis.

This approach is also rarely adopted. In case of critical situation, a decision is taken under this approach. If a lot of calculations are required, they are completed with the help of computers.

8. Conversion of decision into action.

The future course of action is scheduled on the basis of selected alternative or decision. Here, the manager has to consider the policy of the management. The selected alternative decision is communicated to concerned persons. This communication facilitates easy implementation of decision. The language of decision should be simple and easily understandable.

9. Implementation.

Next, the manager has to implement the decision to achieve desired goals. Implementation is equally important to the selection of alternatives. Implementation plan should provide for time and procedure sequence. Necessary resources should also be allocated and responsibility for specific tasks should be assigned to individuals.

10. Verifying the decision.

It is the duty of every manager to see whether the decision is properly implemented or not. Verification of implementation of decision ensures the achievement of objectives. The follow up action should be in the light of feedback received is not yielding the desired results, necessary changes should be made in the decision. Constant follow up helps to take corrective measures as and when necessary.

2.13 TYPES OF DECISIONS.

The following ways classified the types of Decisions:

(a). Programmed decisions or Routine decisions or Structured decisions.

(b). Non- Programmed decisions or Strategic decisions or Policy decisions.

(c). Major decisions.

(d). Minor decisions.

(e). Operative decisions.

(f). Organizational decisions.

(g). Personal decisions.

(i). Group decisions.

(j). Certainty decisions.

(k). Uncertainty decisions.

(a). Programmed decisions or Routine decisions or Structured decisions.

The reason is that these types of decisions are taken frequently and they are repetitive in nature. This decision is taken within the purview of the policy of the organization. Only lower level management takes programmed decision and has short-term impact. Granting over time work, placing purchase order etc., are some of the examples of programmed decisions. There is a clear cut procedure to take programmed decisions. The decision-maker need not ask anything from the Personnel Manager or Board of directors while taking programmed decisions.

(b). Non- Programmed decisions or Strategic decisions or Policy decisions.

This decision is taken by top management people whenever the need arises. A careful analysis is made by the management before taking a policy decision. Policy decision involves heavy expenditure to management. Starting a new business, whether to export or not, acquisition of a business etc. are some of the examples of non-programmed decisions. This decision has a long term impact on business. A slight mistake in the policy decision is bound to injure the entire organization.

(c). Major decisions.

Major decision related to the purchase of fixed assets with more value. Purchase of land and building, machinery, equipments etc., are some of the examples of major decisions. This decision is taken by the top management.

(d). Minor decisions.

Minor decision related to purchase of current assets with less value. Purchase of pencil, pen, ink, etc., are some of the examples of minor decision. This decisions is taken by lower level management people.

(e). Operative decisions.

A decision which relates to day-by-day operation of an organization is known as operative decision. This type of decision is taken by middle level management people normally. The reason is that they are working at supervisory level and have a good knowledge of the operations. The time of payment of overtime wages is fixed by middle level management people.

(f). Organizational decisions.

The decision maker takes a decision and implements it for effective functioning of organization and it is called organizational decision. He takes this decision on his authority and capacity.

(g). Personal decisions.

The decision maker takes a decision for his personal life which is known as personal decision. He implements this decision in his home and sets right his personal life this decision does not reflect the functioning of an organization. The decision maker is not a member of an organization while taking a personal decision.

(h). Individual decisions.

Confusion exists regarding the difference between individual decision and personal decision. They are not one and the same. The decision maker is a member of an organization while taking an individual decision. He can implement it in the organization. He is delegated with authority to take individual decision. He considers the policy and situation prevailing in an organization while taking individual decision.

(i). Group decisions.

A committee is formed by the top management for specific purposes. Here, the top management feels that no individual can take effective decision to solve a problem. The top management fixes the time within which the committee is expected to submit its report with concrete decisions.

(j). Certainty decisions.

Here, the term certainty refers to accurate knowledge of the outcome from each choice. For example, ascertaining how much profit will be maximized by introducing a new product or increasing the selling price and the like. There is only one outcome for each choice. He decision maker himself knows the outcome and consequences of choice.

(k). Uncertainty decisions.

The outcome is not accurate or several outcomes are possible whenever a decision is taken. The reason is that the decision maker has incomplete knowledge and he does not know the consequences. For example, while marketing a new product, the decision (amount of profits) depends upon the prosperity period of that product. If the prosperity period is long, the amount of profit is high and vice versa.

2.14 QUANTITATIVE TECHNIQUES FOR DECISION MAKING.

Quantitative techniques are powerful tools can argument production, maximize profits and minimize costs. These techniques help in the decision making process. Quantitative techniques can be classified into two groups statistical and programming techniques.

(I). Statistical Techniques.

(a). Probability theory and Sampling analysis.

(b). Regression and Correlation analysis.

(c). Index numbers.

(d). Time Series Analysis.

(e). Interpolation and Extrapolation.

(f). Ratio Analysis.

(II). Programming or Operation Research Techniques.

(a). Linear Programming.

(b). Queuing Theory.

(c). Inventory Theory.

(d). Game Theory.

(e). Network analysis.

(f). Simulation. **(g). Decision Tree analysis.**

(I). STATISTICAL TECHNIQUES.

Statistical techniques are used to conduct a statistical enquiry about a certain phenomenon. The embrace all the statistical methods starting from the collection of data to task of interpretation of collected data. The following are some important statistical techniques often used in decision making.

(a). Probability theory and Sampling analysis.

The theory of probability based on sampling enables judgment being made with regard to whole population on the basis of selection of a cross-section of population. Quality control is an application of the theory of probability. It is helpful in evaluating current events and forecasting the future.

(b). Regression and Correlation analysis.

Regression analysis examines the past trends of relationship between one variable and more than one variable. Correlation measure the closeness of such relationships.

(c). Index numbers.

Index numbers measures fluctuations in prices, volume of economic activity or other variable over a period relating to a base.

(d). Time Series Analysis.

Time series analysis consists of a series of data over a period. Data is analyzed with regard to functions such as trend, production, price or other variables over a period. Time series analysis is tool of business forecasting.

(e). Interpolation and Extrapolation.

Interpolation consists and reading a value, which lies between two extreme points. Extrapolation means reading a value that lies outside two extreme points. It helps to probable price, business changes, the probable production and business forecasting.

(f). Ratio Analysis.

Ratio analysis expresses the relationship between different items of the financial statements. It may be expressed in percentages or as proportions. It is a valuable tool of management control. Management ratios help to shape and formulate managerial policies.

(g). Statistical Quality control.

Control over quality is ensured by the application of the theory of probability to the results of examination of samples. Statistical quality control helps in isolating the assignable causes from the chances causes.

(II). PROGRAMMING or OPERATION RESEARCH TECHNIQUES.

Operation research techniques enable the executives to take correct and prompt decisions. It has been described as the application of scientific method to the solution of business problems. It is particularly helpful in the field of product design, Product development and cost reduction of production process. The following are some important Operation research techniques often used in decision making.

(a). Linear Programming.

Linear programming aims at finding out the best possible or optimum solution such as maximization of profits or minimization of cost. With the help of linear programming, it is possible to determine allocation of work between various machines and fullest utilization with a minimum cost of operation.

(b). Queuing Theory.

Queuing theory involves the mathematical study of queues or waiting lines. A group of items waiting to receive is forming a queue to receive the service. It may happen at the service station, railway station, retail stores etc. In waiting line situations, problems arise because of one person to another person based on its demand. Queuing theory helps in achieving the balance between the cost associated with waiting time and idle time. It also helps in arriving at a decision about the provision of optimum facilities.

(c). Inventory Theory.

Inventory theory is useful in the solution of production and purchasing problems. It is also known as the Economic lot size theory. Selective inventory control involves the classification of repetitive stores according to their value, nature, rate of consumption, lead time and ease of availability.

(d). Game Theory.

Game theory is helpful in making decisions under competitive situations. It is simply the logic of rational decisions. It was developed basically for use in wars so that the actions of the army can be decided in the light of actions taken by opposite army. The term game represents a conflict between two or more parties. A game is described by its set of rules. These rule clearly what each person is required to do so under all possible set of circumstances.

(e). Network analysis.

Network analysis is applicable in almost any situation calling for scheduling or requiring exact timing and performance to be followed. Network shows which task follows other tasks and also shows clearly their mutual relationship. Network methods include PERT (Programme Evaluation Review Technique) and CPM (Critical Path Method). The PERT and CPM techniques lies in the help they provide in completing various project according to schedule. The minimize production delays, interruptions and conflicts. They are helpful in coordinating the various jobs of the total project.

(f). Simulation.

Simulation is a technique of testing a model which resembles real life situation. It imitates or duplicates behaviour of the system under observation. A special variation of simulation is known as Monte Carlo technique also employed to solve queuing problems. Monte Carlo technique is used to find out the optimum manpower level that will balance overtime costs with excess manning costs.

(g). Decision Tree analysis.

Decision tree analysis is a graphical method for identifying alternative actions, estimating probabilities and indicating the outcome. The graphical form helps the decision maker to view his alternatives and outcomes. The decision maker can draw a systematic representation of the problem that plays the information in more easily understandable fashion. Decision information in more easily understandable fashion. A decision tree is used to make decision in complex situations particularly when the outcome of a later situation is depending on the former.

REVIEW QUESTIONS.

PART - A

1. Define Planning.
2. Define Mission.
3. What is Objectives?
4. What is Strategy?
5. Define Policies.

6. What is Programme?
7. Define Standards.
8. What is Decision making?
9. List out types of decisions.
10. What is Experimentation?
11. What is Programmed Decisions?
12. Define Uncertainty Decisions.
13. What is PERT and CPM?
14. Define Simulation.
15. Define Decision tree..
16. Define Statistical Quality Control.

PART – B

1. State the Importance of Planning.
2. State the Types of Policies.
3. List out a Types of Planning.
4. State the difference between Policy and Procedure.
5. State the elements of Single use Plans.
6. State the types of Statistical techniques in decision making.
7. State the types of Operation research techniques in decision making.

PART – C

1. Discuss the different steps in Planning Process.
2. Discuss in detail about components of Planning.
3.Elucidate the stages in rational decision making process.
4. Discuss the different techniques of decision making process.

UNIT III

ORGANISING

LEARNING OBJECTIVES.

After reading this unit, students will be able to:

- **Understand the nature and concepts of Organizing.**
- **Understand the steps in Organizing.**
- **Understand the different Types of Organizations and its advantages and disadvantages.**
- **Understand the Organizational chart and Organizational Manual and its importance.**

2.9 ORGANISATION

A sound organization is the prerequisite for the success of any business enterprise. Organization is the foundation upon which the entire structure management is constructed. After determining the objectives and deciding the plan, the next step in the management process is organising the activities to achieve the objectives.

Organizing means the process of defining and grouping the activities of the organization and establishing authority relationship among them. It includes the following:

- Determination and division of activities.
- Grouping up of activities.
- Allocation of fixed duties to definite persons.
- Delegation of authority and achieving the objectives of the organization.

2.10 DEFINITIONS

*Louis A. Allen***,** "Organisation is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives"

Theo Hainan, "Organizing is the process of defining and grouping the activities of the enterprise and establishing the authority relationships among them"

Harold Koontz, "Organization means a formalized intentional structure of roles.

2.11 NATURE OR CHARACTERTICS OF ORGANIZING

(a). Common Objectives :

Every organisation exists to achieve some common objectives. All efforts of the organisation are directed towards this goal.

***(b). Specialisation or division of labour*:**

The total work of an organisation is divided into functions and sub-functions to get the benefits of specialisation.

(c). Authority of structure:

There is an arrangement of positions into a graded series. The authority and responsibility of each position is defined in the structure. The chain of superior and subordinate relationships is known as chain of command.

(d). Co-Ordination:

There is mechanism for coordinating different activities and parts of an organization so that it functions as an integrated whole.

*(***e). Communication:***

Every organization has its own channels of communication. These channels are necessary for mutual understanding and cooperation among members of an organization.

(f). Rules and Regulation:

For effective functioning of an organisation, it should have some rules and regulations. Such rules and regulations may be in written term or implied form customary behavioure.

2.12. STEPS IN ORGANISATION

The following are the steps involved in organization:

Identification of Activities

↓

Grouping of Activities

↓

Assigning Activities

↓

Delegation of Authority

↓

Establishing Structural Relationship

↓

Co-Ordination of Activities

(a).Identification of Activities.

The entire work is broken down into component activities that are to be performed by all the employees.

(b).Grouping of Activities.

The closely related and similar activities are grouped into departments or divisions. The departmental activities are further divided into sections. Grouping is done primarily on the basis of functions like production, Sales etc. Then they are grouped on the basis of customers or process or geographical area.

(c). Assigning Activities.

The grouped activities are assigned to various positions such as the production manager, sales manager etc.The process of assignment of activities is carried down to the operative level of management.

(d).Delegation of Authority.

To discharge the responsibility, the employees must be given required authority.

(e).Establishing Structural Relationship.

The last step in the organization process is defining the relationship among the people in the organization in clear terms .Only then a person will know from whom he has to receive orders and to whom he is answerable. It enables people to work harmoniously together under all possible circumstances.

(f).Co-Ordination of Activities.

In order to get the optimum performance, co-ordination is necessary. The reason is that there must be a separate and responsible to see whether all the activities are going on to accomplish the objectives of the organization or not.

2.13 IMPORTANCE OF ORGANISATION.

(a). Ensures Success of the Business.

A sound Organization contribute to the continuity and success of the organization .If it is logical, clear-cut and streamlined to meet the present-day requirement, then the first requisite of sound management is achieved.

(b).Foster Co-ordination.

Different departments and sections, position and jobs, functions and activities are welded together by structural relationship .This facilitates co-ordination

(**c).Avoid Duplication.**

A proper organization avoids duplication of activities. Poor organization leads to the actual duplication of functions by managers as well as duplication of records.

(d).Facilitates Growth.

An organization grows within the organization structure which serves as the framework .Unless the organization permits expansion and diversification cannot proceed any further.

(e).Effective Delegation.

By proper division of labour, consistent delegation and clear job definition, the organization structure relieves the managers of routine work. They devote most of their energy to planning for the future.

(f).Optimum Use of Human Resources.

Detailed job specification, right persons in the right job and matching of job with individuals enable the optimum use of human resources.

2.14 TYPES OF ORGANISATION

The following common types of organization find a place in the structure on internal organization.

1. Formal Organization.
2. Informal Organization.
3. Line, Military or Scalar Organization.
4. Functional Organization.
5. Line and Staff Organization.
6. Committee Organization.

7. Project Organization or Free Form Organization.
8. Matrix Organization.

1. FORMAL ORGANISATION.

Formal organization is deliberately and consciously created for the accomplishment of the enterprise objectives. It provides for official relationships between the individuals. The communication channel in a formal organization is also formal or official. It has well established rules and procedures.

Charactertics of Formal Organization

- It is properly planned
- It is based on principle of division of labour and efficiency in operations.
- Organization Charts are usually drawn.
- Unity of command is normally maintained and it followed delegation of authority.
- Co-ordination among members and their control are well specified through processes, procedures, rules etc.
- The responsibility and accountability at all levels of organization should be clearly defined.

2. INFORMAL ORGANISATION.

Under informal organization, various groups of people are formed voluntarily on the basis of social relationships or public welfare. It arises naturally on the basis of friendship or some common interest which may or may not be related with work. All these groups are collectively known as informal organization. It is not formal on the basis of rules and regulations.

Eg: Teachers Associations, Parent Teachers Associations, the typists working in different departments may form informal group due to similarity of work, etc.

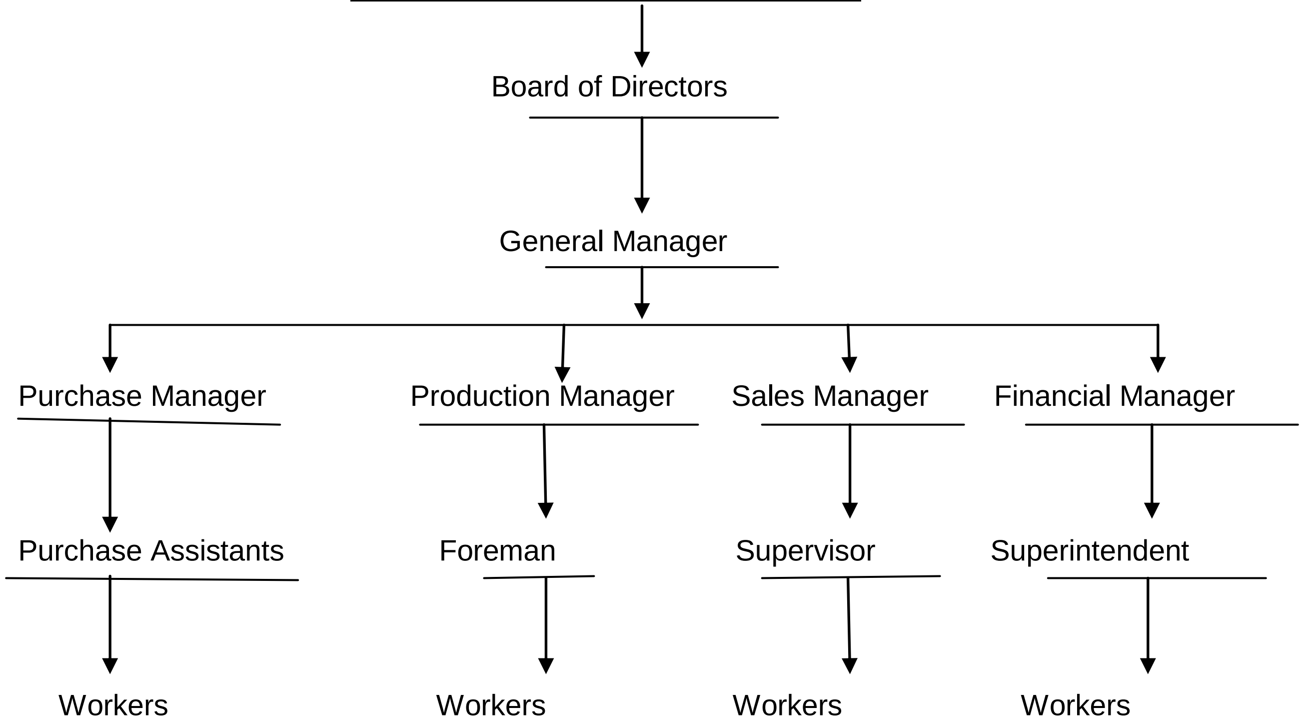
Charactertics of Informal Organization:

- Informal Organization arises without any external causes i.e. voluntarily
- It is social structure formal to meet personal needs.
- It is not known from the organization chart
- It has no structure and definiteness to the informal organization.
- The rules and traditions of informal organization are not written but commonly followed.
- Informal Organization is one of the parts of total organization.

3. LINE, MILITARY OR SCALAR ORGANISATION.

Line organization is the simple and oldest type of organization. Under this type of organization, the authority flows vertically from the higher level to the lower level. Each subordinate is responsible to his immediate supervisor. This type of organization is followed in the army on the same pattern. So, it is called military organization.

Line, Military or Scalar Organisation.



ADVANTAGES OF LINE ORGANISATION

(a).Simplicity

It is easy to understand even by the workers at the lower level.

(b).Fixed Responsibility.

The duties and responsibilities of all the workers are well defined under this type of organization.

(c).Flexibility.

It provides the scope for making adjustments to meet the changing circumstances.

(d).Unity of command.

Each worker receives instructions form and be responsible to only the superior under this type of organization.

(e).Direct communication.

Easy communication is made possible due to the flow of authority form the top level to the lower level.

DISADVANTAGES OF LINE ORGANISATION

(a). Over Loading.

The success of this line organization depends upon the ability of a few process . So such few persons are over loaded with various duties.

(b).Inadequate communication.

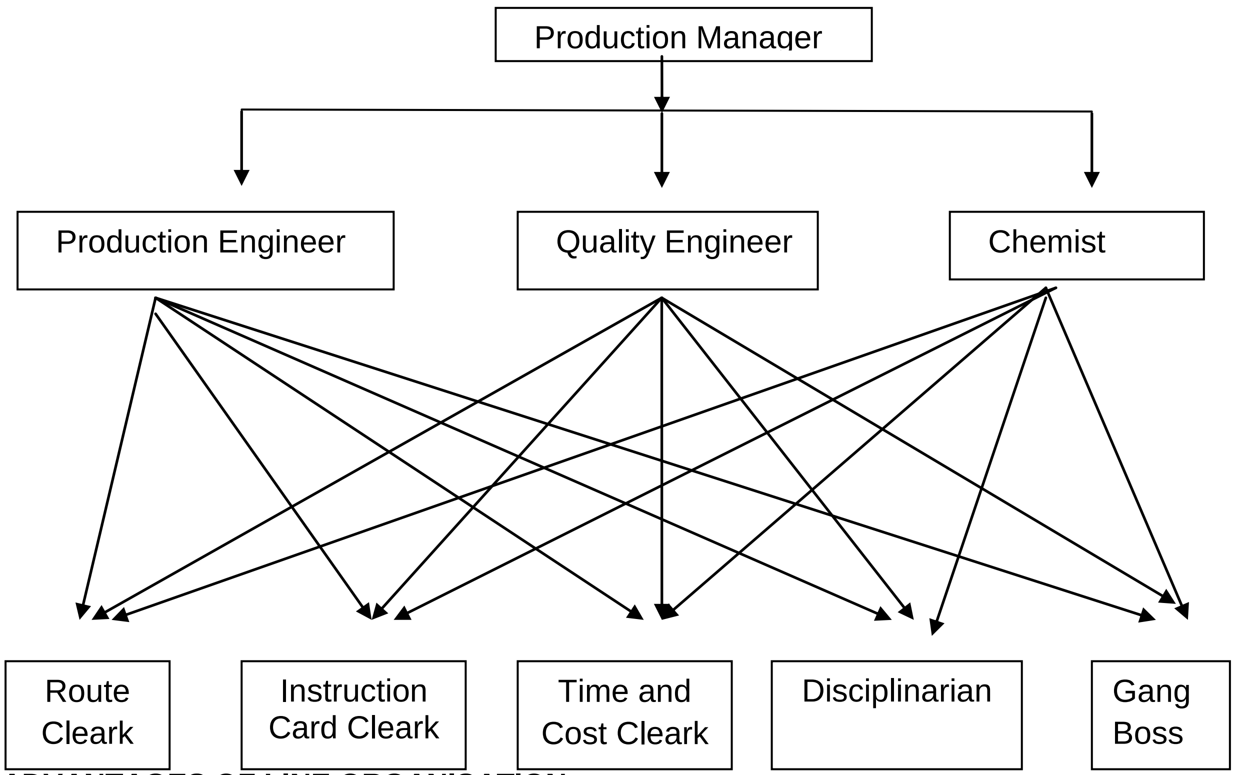
Inadequate communication is possibility for communicating information from the lower level to the higher level.

(c). Lack of Specialization.

Under this type of organization, one man is responsible for taking decisions are not good. So, specialization cannot be achieved.

4. FUNCTIONAL ORGANISATION.

Under functional organization, various specialists are selected for various functions performed in an organization. These specialists will attend to the works which are common to different functions of various departments. Workers, under functional organization, receive instructions from various specialists. The specialists are working at the supervision level. The following chart explained functional organization.



ADVANTAGES OF LINE ORGANISATION

(a). Specialisation *:* This system facilitates specialisation. Due to specialisation, production of quality goods at reasonable price and in large scale is possible.

(b). Efficiency performance: Division of work leads to efficient performance of duties.

(c). Economy: Under functional organisation, each specialist is responsible to the performance of a work. Wastage in the production can be avoided and the expenditure could be considerably reduced.

(d). Flexibility: Any change in the organisation can be introduced without any difficult.

DISADVANTAGES OF LINE ORGANISATION

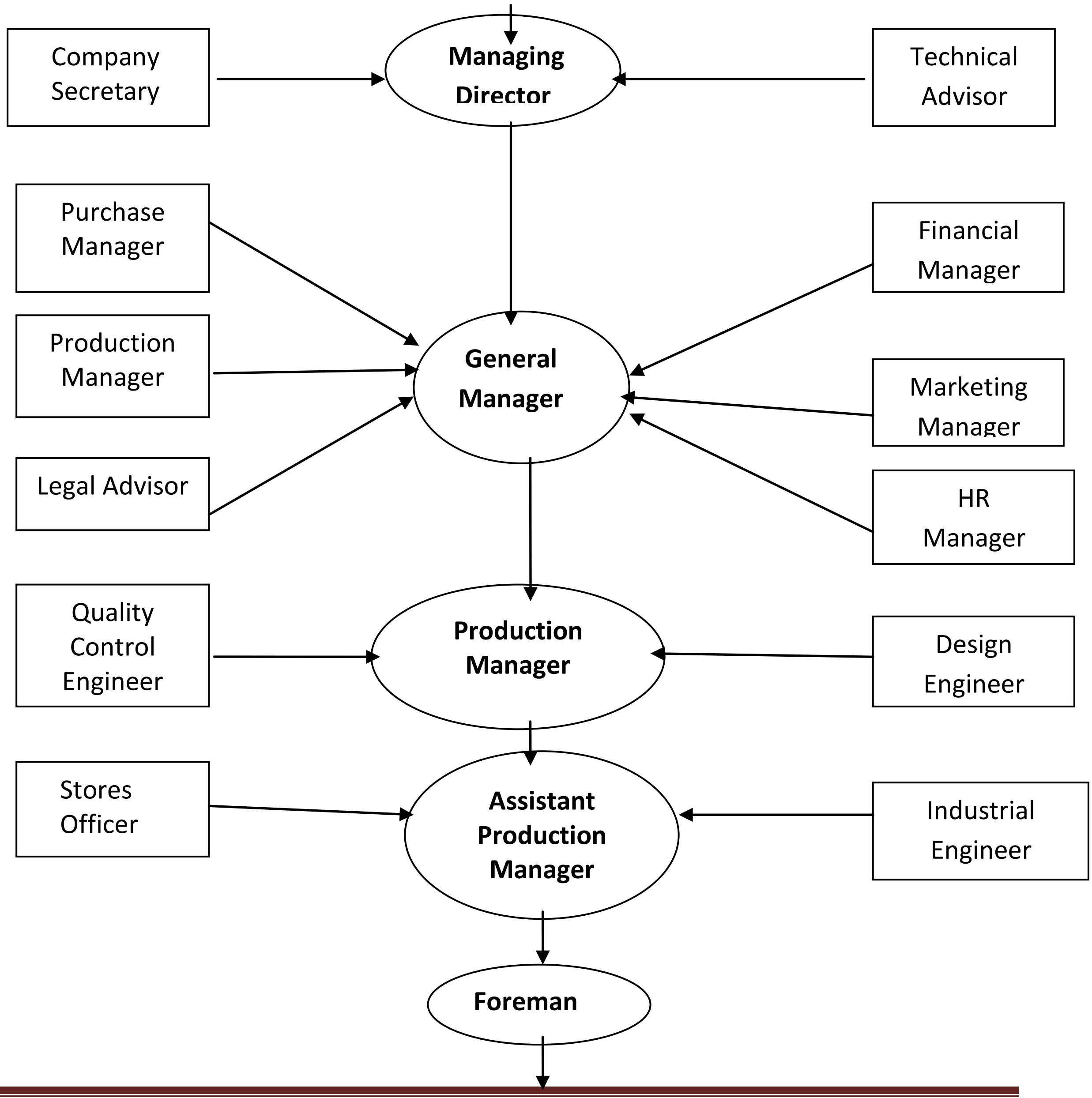
(a). Discipline : It is very difficult to maintain discipline among the workers when a single worker has to be serve many masters.

(b). Increasing the overhead expenses: The remuneration of the specialists may be higher than that of the foreman or supervisor.

5. LINE AND STAFF ORGANISATION

Under this type of organization, there are some staff executives who give their advice to the line executives in the performance of their duties. The line executives are responsible for taking decision and its execution for which staff executives give their advices. Hence, it is rightly remarked that staff executives are thinkers, while line executives are the doers. Following chart explain this type of organization.

LINE AND STAFF ORGANISATION



ADVANTAGES OF LINE AND STAFF ORGANISATION

(a). Specialization.

Specialization is attained when the staff officer ,concentrates on planning function and the line officers concentrates on executive function.

(b). Sound Decision.

The line officer can take sound decision with the help of proper advice from the staff officer.

(c). Innovation.

A new technology or a new procedure may be introduced in the organisation without any dislocation.

(d). Discipline.

The principle of unity of command is followed in the line and staff organization Hence , the line officers can maintain discipline among the workers and easily control over the workers.

DISADVANTAGES OF LINE AND STAFF ORGANISATION.

(a). Confusion throughout the organization.

It is the powers of authority pertaining to the line officers and staff officers are not clearly defined . There may arise confusion throughout the organization

(b). Increase administration cost.

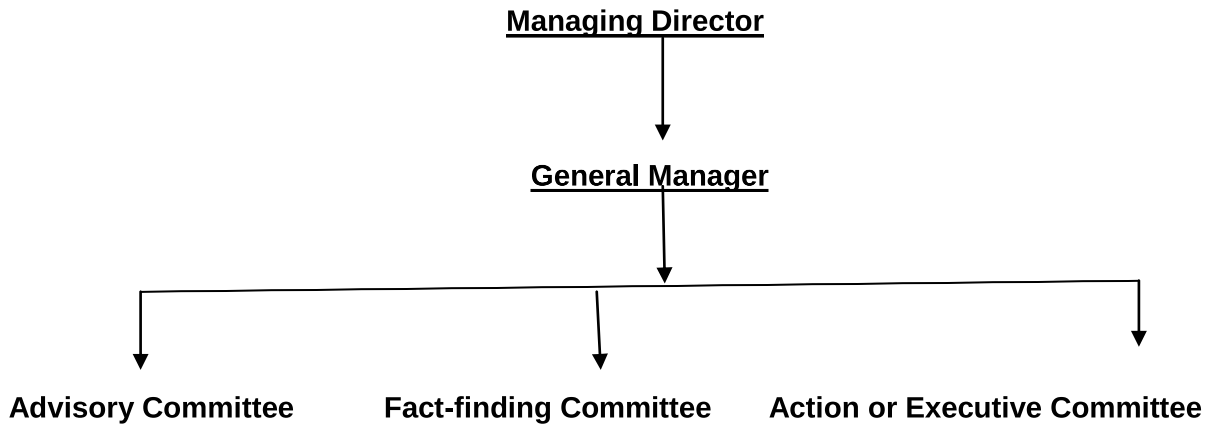
It requires the appointment of staff officers who are specialization in various areas .It increases the administrative expenses of the organization

(c). Lack of communication

There is communication gap between line officers and staff officers. It reduces the degree of co-operation between them.

6. COMMITTEE ORGANISATION.

In the modern business world. The management feels that individual decision cannot effective one. Some specialised person or group of person is formed is called a committee organisation. A committee is a group of people who meet by plan to discuss or make a decision for a particular subject. Committee members are formed outside the organisation or various departments' members of inside of the organisation. The duties, responsibilities and authority are fixed by the top management and the committee is accountable to the management. It may be temporary or permanent one. Following chart explain this type of organization.



ADVANTAGES OF COMMITTEE ORGANISATION

(a). Valuable Decisions.

The committee can take valuable decisions. The committee members can make use of their experience and knowledge while taking decisions.

(b). Innovation.

Normally the committee consists of specialists from various fields. Then, new ideas may be developed by the committee in the area of production, sales, customer service and the like.

(***c). Co-ordination.***

Co-ordination between the various departments becomes very easy. The reason is that the committee consists of members from various departments.

DISADVANTAGES OF COMMITTEE ORGANISATION

(a). Delay in Taking Decisions.

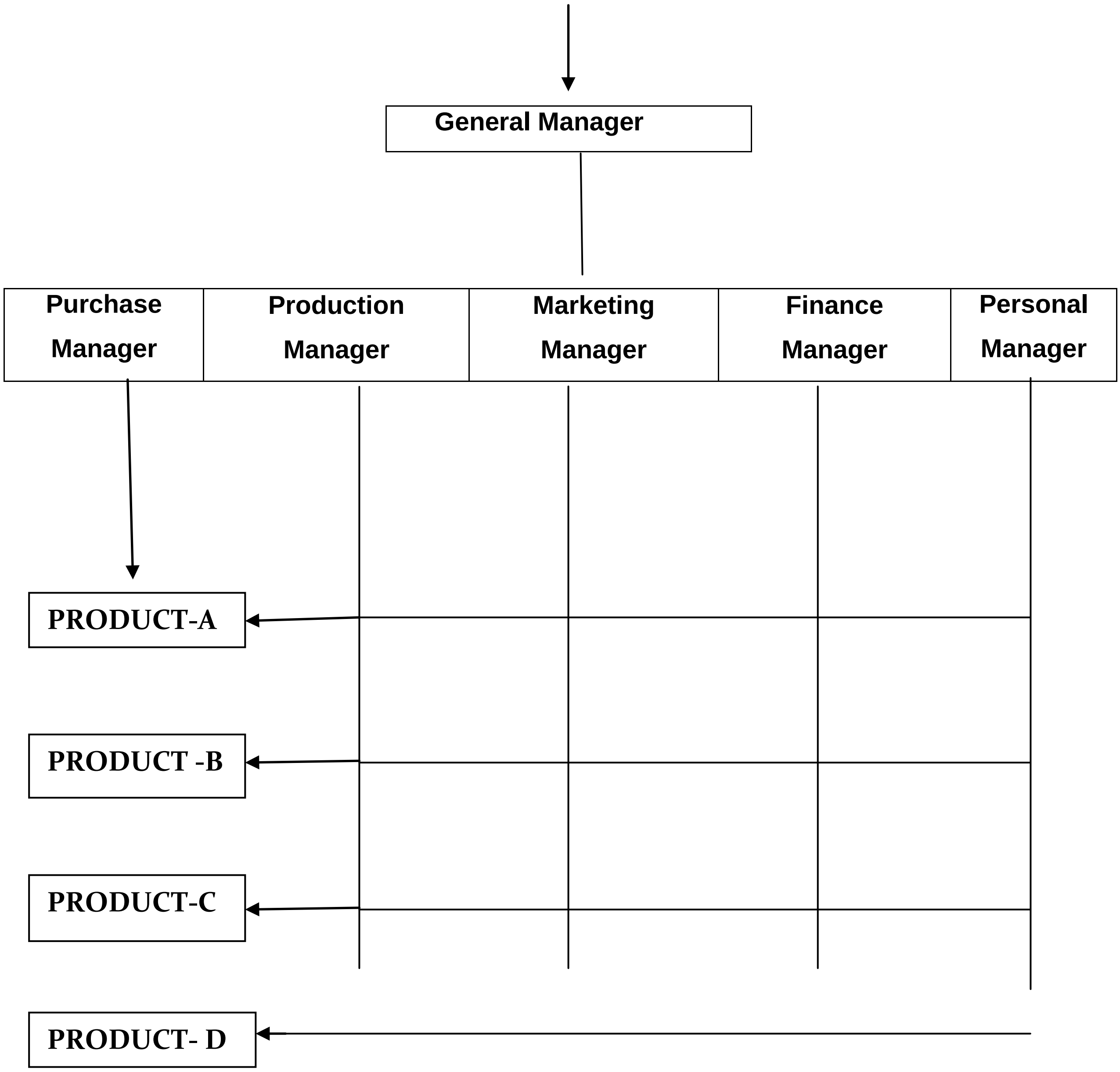
Members from various fields are included in the committee. Each member expresses his own ideas and decision or solutions. It results in delay in taking decision.

(b). Secrecy cannot be maintained due to large number of members in a committee.

6. MATRIX ORGANISATION

There are several departments under Matrix organization .Each departments is assigned with a specified task. The available resources of the organization can be used by each department along with the co-ordination of other departments in an organization. It is a combination of functional and product from of Departmentation in the same organization structure.

STRUCTURE OF MATRIX ORGANISATION



ADVANTAGES OF MATRIX ORGANISATION

(a). Flexibility.

It provides flexibility to the organization. The rules and procedure are framed on the basis of the experience of the organization.

(b). Best Utilization of Resources.

The available resources are used by the managers for the specified project. At the same time, the resources are utilised by the managers with full understanding among them (c). It creates involvement among the employees.

DISADVANTAGES OF MATRIX ORGANISATION

(a). Complex relationship.

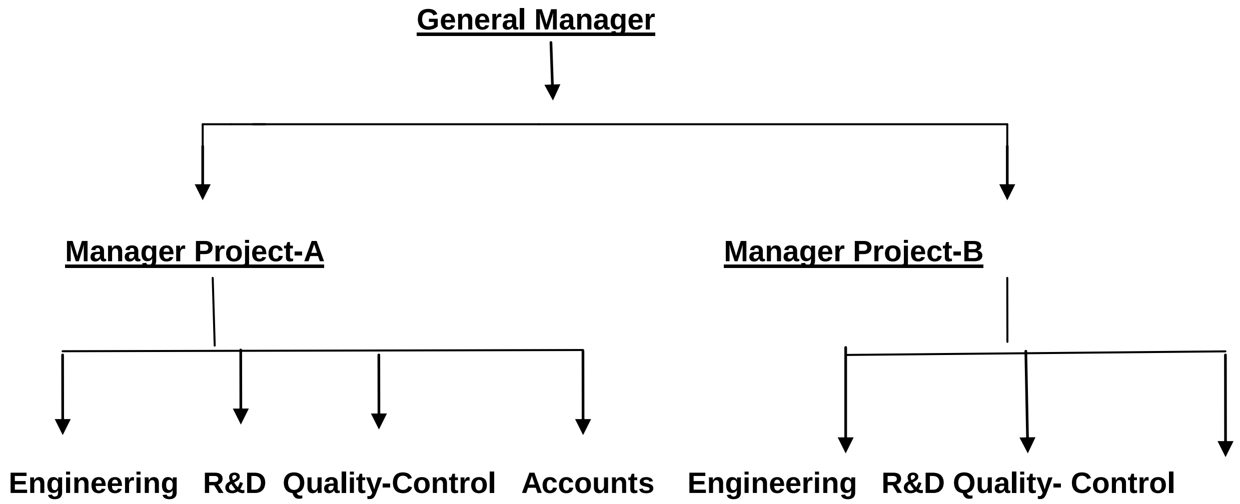
The success of matrix organisation requires a high level of interpersonal among the employees.

(b). Increase expanses: At times, it is to be costly.

7. PROJECT ORGANISATION or FREE FORM ORGANISATION.

The concept of project organization becomes popular particularly after World War II. It may be successfully adopted if it is necessary to manage a small number of large projects. Each project team has specialists in different fields. The project manager would co-ordinate the activities of the team members. The specimen of a project organisation is given below

PROJECT ORGANISATION or FREE FORM ORGANISATION.



ADVANTAGES OF PROJECT ORGANISATION

- It can be designed to suit individual products.
- It makes use of specialized knowledge and skill wherever required.
- It fixes responsibility on individuals on the work done by them.

DISADVANTAGES OF PROJECT ORGANISATION

- The project manager may have a tough time dealing with specialists from different fields.
- The time within which the project has to be completed will put pressure on every individual.

8. FREE FORM ORGANISATION or ADHOC ORGANISATION

This type of organization is formed whenever a need arises to form an organization For achieving a particular object. It will be dissolved after achieving the object of the organization. In many ways the free form organization resembles the project and matrix organization. The formation of the free form organization depends upon the external environment of the business.

2.15 ORGANISATION CHARTS AND MANUALS.

Organization charts that shows or portrays managerial positions and relationship in a company or department unit. It enables each individual to understand his position in the organisation and to know to whom he is accountable".

J.Batty ''An organization chart is diagrammatic representation of the frame work or structure of an organization".

The organization chart has the following aspects:

(a). It is a diagrammatical representation of an organization.

(b). It shows principle line of authority in the organization.

(c). It indicates the reporting relationship and the channels of communication.

(d). It reflects the formal structure of the organization

Contents of the Organization Chart.

- *Name of the Organization.*
- *Basic Organization Structure and flow of authority.*
- *Total number of persons working in an organization.*
- *Authority and Responsibility of various executives.*
- *Relationship between the line and staff personnel.*
- *Positions of various offices personal.*
- *Channel of Communication.*
- *Ways of Promotion and Salary particulars*.

Advantages of Organizational Chart:

- *Good managerial control.*
- *Organizational Conflicts may be reduced.*
- *Guidance to new employees and supervisors.*
- *Avoidance of Duplication of work.*

Disadvantages of Organizational Chart:

- *Lack of Co-operation of workers due to workers will not come forward to develop relationships other than those in the organization chart*.

2.16 ORGANISATIONAL MANUAL.

Organizational manual is a small book which contains the information regarding the organization structure, duties, responsibilities of each position, job description, salaries, prevailing relationships among members including organizational procedures and methods is called organizational manual. It serves as a useful supplement to organizational chart.

2.17 DEPARTMENTALIZATION: MEANING AND TYPES

Introduction: Departmentalization is a process of grouping activities and people into functional units known as departments. It is an essential element of organizational structure that helps in organizing and managing tasks efficiently. Departmentalization is crucial for creating a clear hierarchy, assigning responsibilities, and promoting coordination within an organization.

Meaning of Departmentalization: Departmentalization involves dividing the entire organization into smaller units or departments based on certain common characteristics or functions. This division allows for specialization, facilitates communication, and streamlines the workflow.

Types of Departmentalization:

1. **Functional Departmentalization:**
    - Groups activities based on common functions or skills.
    - Example: Departments like finance, marketing, human resources, and production.
2. **Product Departmentalization:**
    - Organizes activities around specific products or product lines.
    - Example: Divisions for different product categories in a manufacturing company.
3. **Geographical Departmentalization:**
    - Groups activities based on the geographic location.
    - Useful for organizations with a wide geographic presence.
    - Example: Regional offices for a multinational corporation.
4. **Customer Departmentalization:**
    - Organizes activities based on customer segments or types.
    - Example: Departments for wholesale customers, retail customers, or government clients.
5. **Process Departmentalization:**
    - Groups activities based on the production process or stages.
    - Useful in industries with distinct production processes.
    - Example: Departments for design, fabrication, assembly, and quality control.
    -
6. **Matrix Departmentalization:**

- Combines two or more types of departmentalization.
- Employees have dual reporting relationships.
- Example: Project teams that include members from different functional departments.

Advantages of Departmentalization:

1. **Specialization:** Enables employees to focus on specific tasks and become experts in their areas.
2. **Efficiency:** Streamlines workflow and enhances efficiency by grouping similar activities together.
3. **Coordination:** Facilitates coordination and communication within departments, ensuring smooth operations.
4. **Flexibility:** Allows for flexibility in adapting to changes in the external environment or organizational needs.

Challenges of Departmentalization:

1. **Communication Barriers:** Silos may form, hindering communication between different departments.
2. **Coordination Issues:** Interdepartmental coordination can be challenging, especially in large organizations.
3. **Rigidity:** Overly rigid departmentalization can make it difficult to adapt to changes.

DEPARTMENTATION

Departmentation or Departmentalisation is the process of grouping the activities of an enterprise into several units for the purpose of administration at all levels. It also provides a basis on which the top **managers** can co-ordinate and control the activities of the departmental units.

Departmentation can provide a necessary degree of specialisation of executive activity for efficient performance. It can simplify the tasks of management within a workable span. It also provides a basis on which the top managers can co-ordinate and control the activities of the departmental units.

Departmentation is a part of the organisation process. It involves the grouping of common activities under a single person's control. The activities are grouped on the basis of a function of the organisation. This work is done by a chief executive of the concerned organisation.

Departmentation means the process by which similar activities of the business are grouped into units for the purpose of facilitating smooth administration at all levels. It implies the division of total work of an organisation into individual functions and sub functions. It is the process of division of organisation into different parts known as departments.

According to L. A. Allen – "Departmentation is the means of dividing a large and monolithic functional organisation into smaller, flexible, administrative units."

Need for and Importance of Departmentation:

The basic need for departmentation is to make the size of each departmental unit manageable and secure the advantages of specialisation. Grouping of activities and, consequently, of personnel, into departments makes it possible to expand an enterprise to any extent.

Departmentation is necessary on account of the following reasons:

1. Advantages of Specialisation:

Departmentation enables an enterprise to avail of the benefits of specialisation. When every department looks after one major function, the enterprise is developed and efficiency of operations is increased.

2. Feeling of Autonomy:

Normally departments are created in the enterprise with certain degree of autonomy and freedom. The manager in charge of a department can take independent decisions within the overall framework of the organisation. The feeling of autonomy provides job satisfaction and motivation which lead to higher efficiency of operations.

3. Expansion:

One manager can supervise and direct only a few subordinates. Grouping of activities and personnelinto departmentation makes it possible for the enterprise to expand and grow.

4. Fixation of Responsibility:

Departmentation enables each person to know the specific role he is to play in the total organisation. The responsibility for results can be defined more clearly, precisely and accurately and an individual can be held accountable for the performance of his responsibility.

5. Upliftment of Managerial Skill:

Departmentation helps in the development of managerial skill. Development is possible due to two factors. Firstly, the managers focus their attention on some specific problems which provide them effective on-the-job training. Secondly, managerial need for further training can be identified easily because the managers' role is prescribed and training can provide them opportunity to work better in their area of specialisation.

6. Facility in Appraisal:

Appraisal of managerial performance becomes easier when specific tasks are assigned to departmental personnel. Managerial performance can be measured when the areas of activities are specified and the standards of performance are fixed. Departmentation provides help in both these areas.

When a broader function is divided into small segments and a particular segment is assigned to each manager, the area to be appraised is clearly known; and the factors affecting the performance can be pointed out more easily. Similarly, the standards for performance can be fixed easily because the factors influencing the work performance can be known clearly. Thus, performance appraisal becomes more effective.

7. Administrative Control:

Departmentation is a means of dividing the large and complex organisation into small administrative units. Grouping of activities and personnel into manageable units facilitates administrative control. Standards of performance for each and every department can be precisely determined.

Types of Departmentation:

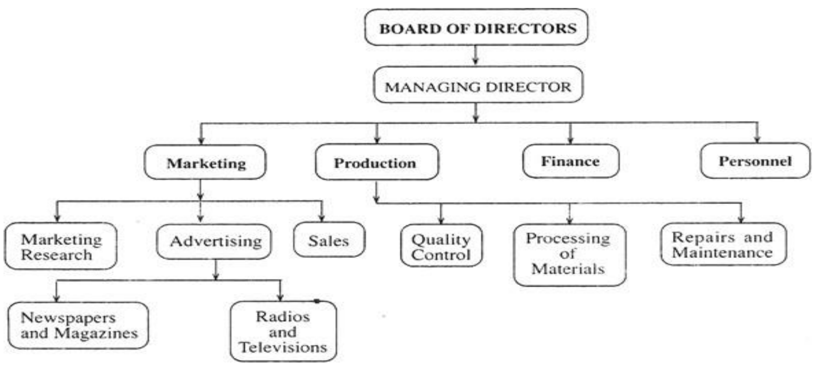
There are several bases of Departmentation. The more commonly used bases are—function, product, territory, process, customer, time etc.

These are explained below:

(A) Departmentation by Functions:

The enterprise may be divided into departments on the basis of functions like production, purchasing, sales, financing, personnel etc. This is the most popular basis of departmentation. If necessary, a major function may be divided into sub-functions. For example, the activities in the production department may be classified into quality control, processing of materials, and repairs and maintenance.

The organisation chart of functional departmentation may take the following form:



Advantages:

The advantages of functional departmentation include the following:

(a) It is the most logical and natural form of departmentation.

(b) It ensures the performance of all activities necessary for achieving the organisational objectives.

(c) It provides occupational specialisation which makes optimum utilization of man-power.

(d) It facilitates delegation of authority.

(e) It enables the top managers to exercise effective control over a limited number of functions.

(f) It eliminates duplication of activities.

(g) It simplifies training because the managers are to be experts only in a narrow range of skills.

Disadvantages:

There are some problems associated with functional departmentation. These are mentioned below:

(a) There may be conflicts between departments.

(b) The scope for management development is limited. Functional managers do not get training for topmanagement positions. The responsibility for results cannot be fixed on any one functional head.

(c) There is too much emphasis on specialisation.

(d) There may be difficulties in coordinating the activities of different departments.

(e) There may be inflexibility and complexity of operations.

(B) Departmentation by Products:

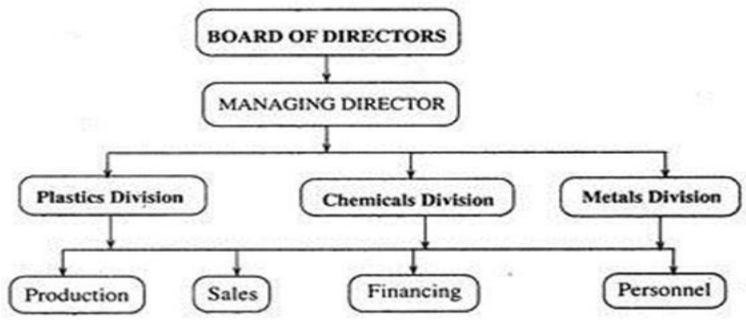
In product departmentation, every major product is organised as a separate department. Each department looks after the production, sales and financing of one product. Product departmentation is

useful when the expansion, diversification, manufacturing and marketing characteristics of each productare primarily significant.

It is generally used when the production line is complex and diverse requiring specialised knowledge and huge capital is required for plant, equipment and other facilities such as in automobile and electronic industries.

In fact, many large companies are diversifying in different fields and they prefer product departmentation. For example, a big company with a diversified product line may have three product divisions, one each for plastics, chemicals, and metals. Each division may be sub-divided into production,sales, financing, and personnel activities.

The organisation chart of product departmentation may take the following form:



Advantages:

Product departmentation provides several advantages which may be stated as follows:

(a) Product departmentation focuses individual attention to each product line which facilitates the expansion and diversification of the products.

(b) It ensures full use of specialised production facilities. Personal skill and specialised knowledge of the production managers can be fully utilised.

(c) The production managers can be held accountable for the profitability of each product. Each product division is semi-autonomous and contains different functions. So, product departmentation provides an excellent training facility for the top managers.

(d) The performance of each product division and its contribution to total results can be easily evaluated.

(e) It is more flexible and adaptable to change.

Disadvantages:

Product departmentation presents some problems as follows:

(a) It creates the problem of effective control over the product divisions by the top managers.

(b) Each production manager asserts his autonomy disregarding the interests of the organisation.

(c) The advantages of centralisation of certain activities like financing, and accounting are not available.

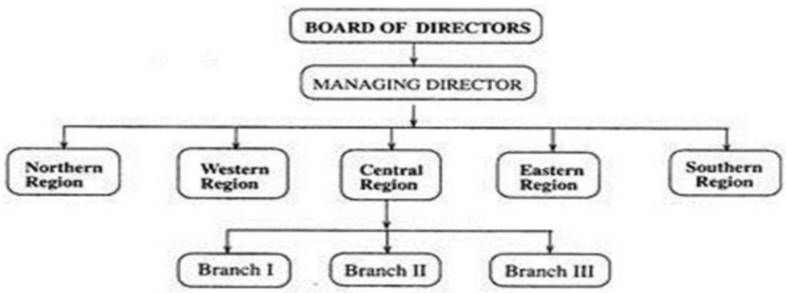
(d) There is duplication of physical facilities and functions. Each product division maintains its ownspecialised personnel due to which operating costs may be high.

(e) There may be under-utilisation of plant capacity when the demand for a particular product is notadequate.

(C) Departmentation by Territory:

Territorial or geographical departmentation is specially useful to large-scale enterprises whose activities are widely dispersed. Banks, insurance companies, transport companies, distribution agencies etc. are some examples of such enterprises, where all the activities of a given area of operations are groupedinto zones, branches, divisions etc.

It is obviously not possible for one functional manager to manage efficiently such widely spread activities. This makes it necessary to appoint regional managers for different regions.



The organisation chart of territorial departmentation may take the following form:

Advantages:

Territorial departmentation offers certain facilities in operation. These are pointed out below:

(a) Every regional manager can specialise himself in the peculiar problems of his region.

(b) It facilitates the expansion of business to various regions.

(c) It helps in achieving the benefits of local operations. The local managers are more familiar with the local customs, preferences, styles, fashion, etc. The enterprise can gain intimate knowledge of the conditions in the local markets.

(d) It results in savings in freight, rents, and labour costs. It also saves time.

(e) There is better co-ordination of activities in a locality through setting up regional divisions.

(f) It provides adequate autonomy to each regional manager and opportunity to train him as he looks after the entire operation of a unit.

Disadvantages:

Territorial departmentation have the following problems:

(a) There is the problem of communication.

(b) It requires more managers with general managerial abilities. Such managers may not be alwaysavailable.

(c) There may be conflict between the regional managers.

(d) Co-ordination and control of different branches from the head office become less effective.

(e) Owing to duplication of physical facilities, costs of operation are usually high.

(f) There is multiplication of personnel, accounting and other services at the regional level.

(D) Departmentation by Customers:

In such method of departmentation, the activities are grouped according to the type of customers. For example, a large cloth store may be divided into wholesale, retail, and export divisions. This type of departmentation is useful for the enterprises which sell a product or service to a number of clearly defined customer groups. For instance, a large readymade garment store may have a separate

department each for men, women, and children. A bank may have separate loan departments for large-scale and small- scale businessmen.

The organisation chart of customer-oriented departmentation may appear as follows:

Advantages:

The important advantages of customer departmentation are the following:

(a) Special attention can be given to the particular tastes and preferences of each type of customer.

(b) Different types of customers can be satisfied, easily through specialised staff. Customers' satisfactionenhances the goodwill and sale of the enterprise.

(c) The benefits of specialisation can be gained.

(d) The enterprise may acquire intimate knowledge of the needs of each category of customers.

Disadvantages:

This method of departmentation may have certain disadvantages, specially when it is followed veryrigidly. These are as follows:

(a) Co-ordination between sales and other functions becomes difficult because this method can befollowed only in marketing division.

(b) There may be under-utilisation of facilities and manpower in some departments, particularly duringthe period of low demand.

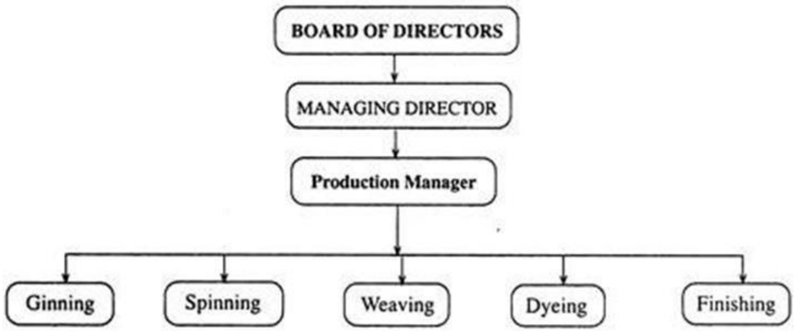
(c) It may lead to duplication of activities and heavy overheads,

(d) The managers of customer departments may put pressures for special benefits and facilities.

(E) Departmentation by Process or Equipment:

In such type or departmentation the activities are grouped on the basis of production processes involved or equipment used. This is generally used in manufacturing and distribution enterprises and at lower levels of organisation. For instance, a textile mill may be organised into ginning, spinning, weaving, dyeing and finishing departments. Similarly, a printing press may have composing, proof reading, printing and binding departments. Such departmentation may also be employed in engineering and oil industries.

The organisation chart of process or equipment departmentation may appear as follows:



Advantages:

The basic object of such departmentation is to achieve efficiency and economy of operations. Theprocesses are set in such a way that a series of operations is feasible making operations economic.Efficiency can be achieved if departments are created for each process as each one has its peculiarities. It provides the advantages of specialisation required at each level of the total processes. Themaintenance of plant can be done in better way and manpower can be utilised effectively.

Disadvantages:

In such departmentation, there may be difficulty in coordinating the different process-departments, because the work of each process depends fully on the preceding process. So, there are chances of conflicts among the managers looking after the different processes. It cannot be used where manufacturing activity does not involve distinct processes.

(F) Departmentation by Time and Numbers:

Under this method of departmentation the activities are grouped on the basis of the time of their performance. For instance, a factory operating 24 hours may have three departments for three shifts— one for the morning, the second for the day, and the third for the night.

In the case of departmentation by numbers, the activities are grouped on the basis of their performance by a certain number of persons. For instance, in the army, the soldiers are grouped into squads, companies, battalions, regiments and brigades on the basis of the number prescribed for each unit.

Such type of departmentation is useful where the work is repetitive, manpower is an important factor, group efforts are more significant than individual efforts, and group performance can be measured. It is used at the lowest level of organisation.

Factors to be Considered in Departmentation:

A suitable basis of departmentation is one which facilitates the performance of organisational functions efficiently and effectively so that the objectives of the organisation are achieved. Since each basis is suitable to a particular type of organisation, often a combination of various basis is adopted.

So, the determination of suitability of departmentation basis should be considered in the light of variousprinciples or factors affecting the functioning of an organisation.

These factors or principles are described below:

1. Specialisation:

The activities of an organisation should be grouped in such a way that it leads to specialisation of work. Specialisation helps to improve efficiency and ensure economy of operations. It enables the personnelto become experts.

2. Co-ordination:

Quite different activities may be grouped together under one executive because they need to be co- ordinated. So, the basis of departmentation should ensure that the dissimilar activities are put together in one department.

3. Control:

Departmentation should be such that it facilitates the measurement of performance and adoption of timely corrective action. It should enable the managers to hold the employees accountable for results. Effective control helps to achieve organisational objectives economically and efficiently.

4. Proper Attention:

All the activities which contribute to the achievement of subordinate results should be given adequate attention. This will ensure that all necessary activities are performed and there is no unnecessary duplication of activities. Key areas should be given special attention.

5. Economy:

Creation of departments involves extra cost of additional space, equipment and personnel. So, the pattern and number of departments should be so decided that maximum possible economy is achieved in the utilisation of physical facilities and personnel.

6. Local Condition:

While forming departments adequate attention to the local conditions should be given. This is more important to the organisation which operates in different geographical areas. Departmentation should be adjusted according to the available resources. It should aim at full utilisation of resources.

7. Human Consideration:

Departmentation should also consider the human aspect in the organisation. So, along with the technical factors discussed above, departments should be created on the basis of availability of personnel, their attitude, aspiration and value systems, informal work groups, cultural patterns, etc. Due attention to the human factors will make departmentation more effective and more efficient.

CENTRALIZATION

Centralization refers to the process in which activities involving planning and decision-making within an organization. In a centralized organization, the decision-making powers are retained in the head office, and all other offices receive commands from the main office.

Centralization refers to that organizational structure where decision-making power is confined to the top management, and the subordinates need to follow the instructions of their seniors. Centralization of authority is essential for the small-scale organizations which lack resources and finance.

Centralization is said to be a process where the concentration of decision making is in a few hands. All the important decision and actions at the lower level, all subjects and actions at the lower level are subject to the approval of top management.

According to Allen, “Centralization” is the systematic and consistent reservation of authority at central points in the organization.

Centralization allows on the one hand an unified decision “from the center” on the other hand, limits the autonomy of organizational units and may reduce flexibility of the decision. **Centralization** may concern all decisions and powers, or may be centralized only selected **managerial** functions.

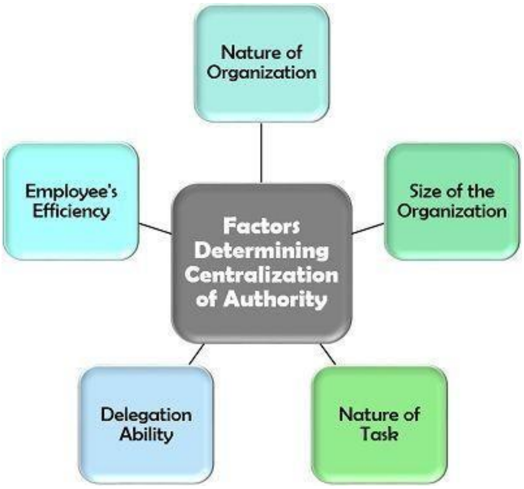
When an organization follows a centralized management structure, it can focus on the fulfillment of its vision with ease. There are clear lines of communication and the senior executive can communicate the organization's vision to employees and guide them toward the achievement of the vision.

In a **centralized** organization, decisions are made by a small group of people and then communicated to the lower-level managers. If lower-level managers are involved in the decision-making process, the process will take longer and conflicts will arise.

Factors Determining Centralization of Authority

In small organizations, the owner or the top management is responsible for making all the business decision solely. Whereas, the delegation of work among the subordinates takes place; therefore, centralization persists in these business units.

The following factors result in the centralization of the organization:



- **Nature of Organization**: When the organization is generally a sole proprietorship or partnership entity with less number of employees to be managed, it can have a centralized system.
- **Size of the Organization**: The organization which are small in size and operating on a small scale can be efficiently managed by the top management hence following a centralized system.
- **Nature of Task**: The organizations engaged in business operations which does not require much expertise or specialization, can be managed through centralization.
- **Delegation Ability**: The capability of the management to delegate the responsibilities to the subordinates while keeping the charge in their hand is another factor determining the organizational structure.
- **Employee's Efficiency**: If the employees lack skills and efficiency to take up the responsibility and accountability of the work to be performed, the management will go for centralization of the organization.

Advantages of Centralization

Centralization and decentralization are equally crucial for a business. The reasons for which some organizations mainly centralizes its structure are as follows:

Cost Efficient: The management need not spend much on the office and administrative expenses in a centralized organization. Even the cost of hiring experts and highly experienced personnel at each levelis saved due to the centralized decision-making process.

Better Command: The management can hold a better command over the subordinates and the subordinates also clearly know whom to follow. There is proper control over the subordinate actions, and the management is well aware of the strengths and weaknesses of the subordinates.

Enhances Work Quality: The subordinates are answerable directly to the top management, and therefore they continuously aim at improving the work quality. It also leads to standardization of the process and reduces the wastage.

Uniformity in Action: When the control lies in the hands of few, the methods and techniques used are usually the same throughout all the levels and departments, thus encouraging the subordinates to perform uniformly.

Focus on Vision: The top management clearly defines and better understand the organizational vision. Therefore, it aligns all the resources, subordinates, activities and strategies towards the achievement of the vision.

Proper Coordination: The top management frames a uniform policy for subordinates at different levels, integrate their course of action and ensures coordination among all the subordinates.

Disadvantages of Centralization

Centralization is not suitable for all type of business organizations.

Slows Down Operations: The top management directs the day to day operations, and the subordinates have to report directly to the senior management. At times when there is no managerial staff, the subordinates are unable to take immediate decisions. Thus, resulting in slowing down of business operations.

Delays Decision Making:

In centralization, the decision-making process slows down since all the decisions are to be taken by the top management. It is not suitable for handling emergencies or unexpected circumstances.

Reduces Scope for Specialization:

A person cannot specialize in all the activities alone. Therefore, in a centralized structure where all decisions are taken by the top management, the organization lacks specialized supervision and management.

Discourages Initiative:

The subordinates are given instructions which they need to follow without questioning the decisions of the top management. In centralization, the subordinates are intimidated from giving their input or suggestions.

Lacks Adaptability to Change:

The centralized organization runs in a conventional manner where the top management is somewhat rigid with its policies, methods and techniques. Thus, it creates a barrier to adopting modern and improved practices for organizational growth.

Overburden on Top Management:

All the planning and decision-making work is done at the topmost level of management, they control even the day to day operations. Due to this reason, management becomes overburdened and is unable to concentrate on business expansion and growth.

Bureaucratic Leadership:

Centralization can be seen as a dictatorship by some, where the top management plans every course of action and the subordinates follow the instructions. Problem-solving becomes quite difficult in such circumstances since the decision-maker, and the implementer is two different individuals.

Poor Upward Communication:

The subordinates are supposed to follow instructions while the least attention is paid towards their suggestions and feedback. All this hinders the upward communication in the organization.

DECENTRALIZATION

Decentralization refers to a specific form of organizational structure where the top **management** delegates decision-making responsibilities and daily operations to middle and lower subordinates. The top **management** can thus concentrate on taking major decisions with greater time abundance.

In a **decentralized** organization, lower level managers are given decision-making authority and the power to run their own departments. **Decentralization** include better, more timely decisions and increased motivation.Decentralisation implies the dispersal of **decision-**making power at lower levels of management. When the power to take decisions and formulate policies does not lie with one person at the top but is passed on to different persons at various levels, it will be a case of decentralisation.

The following are the **main objectives** which a **decentralized** system of organization seeks to achieve:

Torelieve the burden of work on the chief executive.

To develop the managerial faculties.

To motivate the lower level of workers.

Decentralisation is referred to as a form of an organisational structure where there is the delegation of authority by the top management to the middle and lower levels of management in an organisation.In this type of organisation structure, the duty of daily operations and minor decision-making capabilities are transferred to the middle and lower levels which allow top-level management to focus more on major decisions like business expansion, diversification etc.

Delegation refers to the assigning a portion of work and the associated responsibility by a superior to a subordinate.

In simple words, when delegation is expanded on an organisational level, it is called decentralisation.“Decentralisation refers to tire systematic effort to delegate to the lowest levels all authority except that which can only be exercised at central points.” —Louis A. Allen“Decentralisation means the division of a group of functions and activities into relatively autonomous units with overall authority and responsibility for their operation delegate to time of cacti unit.’—Earl. P.Strong

Importance of Decentralisation

1. **Rapid decision making**

Most of the decisions are taken on the spot, and approval from the higher authority is not required. The ability to make a prompt decision allows an organisation to function its operation quickly and effectively.

2. **Administrative development**

The decentralisation process questions the manager’s judgment and techniques, when responsibility and challenges to develop solutions are given to them. This questioning method grows confidence, encourages self-reliance, and make them a good decision-maker resulting in the development of the organisation.

3. **Development of executive skills**

It allows the employee to perform task individually, giving them invaluable exposure. This individual performance creates an environment where an individual can enhance their expertise, take ownership & more significant responsibilities, and be suitable for promotion.

4. **Promotes growth**

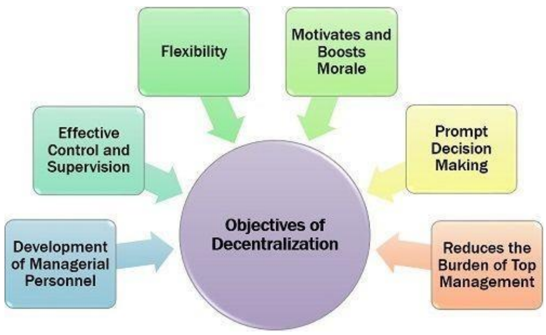
Decentralisation also allows the heads of the department to work independently. This independence helps the department to grow, have a healthy competition between other departments. Ultimately, the competition will lead to an improvement and enhancement in productivity.

5. **Higher control**

It also evaluates and reviews the performances of each department and gives them a comprehensive perspective of their work. However, controlling is the biggest challenge of decentralisation and stabilised management and scorecard are being developed.

Objectives of Decentralization

Decentralization is an important strategically decision. It changes the whole organizational structure right from the top management to the bottom level. Like other business strategies, decentralization is also purposeful.



Let us understand the various objectives for which organizations decentralize their operations :

Development of Managerial Personnel

Decentralization provides for self-learning of the managers by facing the problem, finding the solutions themselves and taking the correct decisions. It adds on to the skills, experience and expertise of the managers in their respective departments.

Effective Control and Supervision

The managers exercise better control over the operations of the subordinates by taking disciplinary actions. They can make decisions related to production schedules, promotions and leaves taken by the subordinates.

Flexibility

Decentralization leads to flexibility in business operations. It also provides authority to the managers to handle unexpected situations independently. It allows them to manage their respective departments in the way they want to.

Motivates and Boosts Morale

It creates self-dependant managers and drives them to enhance their performance, take the initiative and develop a problem-solving attitude. Decision making also boosts their morale and confidence.

Prompt Decision Making

There are times when the managers have to take immediate and unplanned decisions at operational levels; it is only possible in decentralized organizations.
On the contrary, in a centralized organization, the decision-making process is quite lengthy and complicated, which is ineffective for handling unforeseen operational problems and issues.

Reduces the Burden of Top Management

The management has to take certain crucial strategical decisions which require a lot of analysis and planning. Decentralization releases the management from operational decision making, facilitating themto engage themselves in future strategic planning.

Advantages of Decentralisation

1. Reduces the Burden on Top Executives:

In a decentralized organization, decision-making authority is distributed across various levels. This reduces the burden on top executives as they don't have to make every decision. Middle and lower-level managers are empowered to make decisions within their scope, allowing top management to focus on strategic issues.

2. Facilitates Diversification:

Decentralization allows different departments or divisions to operate semi-autonomously. This facilitates diversification into different products, markets, or regions. Each unit can adapt to local conditions, respond to specific market needs, and make decisions that are aligned with their particular environment, fostering overall organizational adaptability.

3. Executive Development:

Decentralization provides opportunities for executive development. Lower and middle-level managers have the chance to make decisions and handle responsibilities, contributing to their professional growth. It serves as a training ground for potential future leaders by allowing them to gain experience and skills in managing various aspects of the business.

4. It Promotes Motivation:

When employees have decision-making authority and responsibility, it can boost their motivation. Knowing that their contributions matter and that they have a say in how things are done can lead to increased job satisfaction and a sense of ownership. This empowerment often results in a more engaged and motivated workforce.

5. Better Control and Supervision:

While it may seem counterintuitive, decentralization can lead to better control and supervision. When decision-making is dispersed, managers at various levels have a closer understanding of local conditions and can respond more quickly to challenges. This can enhance overall organizational control by ensuring that decisions are made with a more detailed nowledge of specific situations.

Disadvantages of Decentralisation

1. **Uniform Policies Not Followed:**

One of the challenges of decentralization is that different units or departments may adopt varying policies and procedures. This lack of uniformity can lead to inconsistencies in how different parts of the organization operate. It may result in confusion among employees and hinder the implementation of standardized practices, potentially affecting overall organizational cohesion.

2. **Problem of Coordination:**

Decentralization can lead to coordination challenges. When decision-making authority is dispersed across different units, ensuring that all units are working towards common goals becomes more complex. Coordinating efforts, sharing information, and aligning activities may require additional effort and resources. This lack of coordination can impede efficiency and the overall effectiveness of the organization.

While decentralization offers several advantages, it's essential to carefully balance autonomy with the need for coordination and adherence to organizational policies. Overcoming these disadvantages often involves implementing effective communication channels, establishing clear guidelines, and providing proper training to ensure that decentralized units align with the overall strategic objectives of the organization.

3. Duplication of Resources:

Decentralization may lead to the duplication of resources and efforts across different units. Each unit might independently invest in similar resources or functions, resulting in inefficiencies and increased costs for the organization as a whole.

4. Conflict of Interests:

Different decentralized units may develop their own priorities, which may sometimes conflict with the overall goals of the organization. This can lead to internal competition and a lack of synergy, hindering the organization's ability to operate cohesively.

5. Lack of Standardization:

In a decentralized structure, there may be a lack of standardization in processes and practices. This can make it challenging to monitor and maintain quality standards across the organization, potentially affecting the consistency of products or services.

6. Risk of Inconsistent Decision-Making:

Inconsistency in decision-making across various units can be a drawback. Decentralized decision-makers may interpret information differently, leading to variations in choices that may not align with the organization's overall strategy.

7. Communication Challenges:

Decentralization may result in communication challenges, especially when information needs to flow between different units. If communication channels are not well-established, there may be delays or misunderstandings that could impact the timely implementation of decisions.

8. Potential for Lack of Accountability:

While decentralization can empower managers, it may also lead to a diffusion of responsibility. If not properly structured, this can create challenges in holding individuals accountable for their decisions and actions, especially when outcomes are not favorable.

Span of Management

An organization is characterized by the presence of a number of levels and departments. But more the levels are created, more will be the administrative cost due to additional staff required and more will be the difficulties to be encountered in communication and controlling. If this is so, why create departments and levels? Answer to this question is provided by the principle of span of management. This is basically the problem of deciding the number of subordinates to report directly to each manager. The principle states that there is a limit to the number of subordinates that each manager can effectively supervise. The term “span of management” is often referred to as span of control, span of supervisions, span of responsibility or span of authority. But the term "span of management" should preferably be used since span is one of management and not merely or control which is just important function of management.

The problem of span of management is not a new one. Ever since the dawn of organized co-operation, man has experienced and realized that no individual can deductively supervise and infinite number of subordinates. Because of biological and other limitations, an executive can supervise well only a limited number of subordinates. Time, for instance, sets a real limit to the number of minutes in an hour. It takes time to assign tasks, answer questions, direct subordinates, and coordinates the entire work. If the number of subordinates under the direct supervisions of a manager is continuously increased, he will finally reach a point of little or no time in discharging his duties effectively. Further, when the manager is asked to control a large number of subordinates keeping in view his time span, supervisions will lose much of its quality. Psychologists also point out span of attention as a factor affecting span of management. Similarly, individuals differ in their ability to get along with people and also in the physical and mental energy they possess. Such personality and energy limitations also affect the executive's span of management, furthermore, no manager is expert in all the things and to that extent he must create limited subordinate positions.

Factors Determining the Span of Management

Theoretical and practical variations in span of management are so wide that one needs help in deciding the number of subordinates to be supervised effectively at each position in the organization structure. Time and attention required; and personal abilities and influences are some of the factors having a bearing on the number of subordinates that can be effectively supervised by a manager. But a host of the factors go a long way in determining what spans are feasible in a given situation.

1. Time Required to be Spent on Supervision

Every manager spends part of his time in doing the job personally. Thus, the sales manger must devote part of his time in contacting customers. Besides, every manager must also be busy for part of his time with administrative job of planning and policy-making not directly related to guiding the subordinates. Evidently the time left can be spent on supervising the work of subordinates. The more is the time required to be devoted to processes other than supervision, the narrower should be the span of management for such an administrative position.

2. Subordinate Training

A well trained subordinate is able to do his job quite successfully. Consequently the frequency and severity of superior-subordinate relation stands greatly reduced. Thus, a manager dealing with trained subordinates can afford to supervise a large number of them and operate with a wider span. But training becomes more and more difficult as one goes up the echelons of management hierarchy. At lower levels, it is much easier to identify the areas of training and develop suitable techniques for imparting it. At higher levels, on the other hand, it is difficult to discover what to teach and how to teach. Moreover, while relying upon ability and training of the subordinates as a factor influencing span of management, it should be remembered that training is a continuous process.

3. Delegation of Authority

In an enterprise which is effectively organized and structured, management is able to influence and minimize the frequency and severity of superior-subordinate relationships and thus increase its span. An organization poorly conceived consumer disproportionate time of the manager in counseling and guiding the subordinates. An important symptom of inefficient organization influencing span of management is to be found in ambiguous or inadequate delegation of authority. If a subordinate is not clear what he is expected to do or is called upon to do something beyond the scope of his authority, he will make more demand on the senior manager and hence operate to reduce his span. Where subordinates are delegated with authority sufficient to carry out the assigned duties and their authorities are clearly defined, i.e., well-trained subordinates would considerably reduce the time and attention of the senior and thus help to increase his span.

4. Degree of Decentralization

If a manger is to make many of the decisions himself, he will have less time to spare for supervising the work of his subordinates and hence operate with a narrow span. On the other hand, an executive operating under decentralized set-up is relieved of much of the burden of making programmed decisions and can afforded to supervise relatively a larger number of subordinates.

5. Similarity of Functions Supervised

Similarity or variety of function to be supervised by the manager also influences his span of supervisions. Here the executive manages similar functions (which are perhaps repetitive also). He becomes well versed with jobs and can handle a larger number of subordinates. On the contrary, activities and functions with a degree of variability and probably more complex in nature, increase inter-relationships and consumer more time of the executive to dispose them of and thus, warrant a fewer number of persons to be handled by the supervisor. The top level manager needs to work linger with each of his subordinates than the first line supervisor whim largely handles the routine problems.

6. Planning Required

This factor refers to the importance, complexity and time to be spent by the executive in reviewing the objectives, programming the actions and deciding number of policy matters. As the importance, complexity and time required of the manager in performing his planning function increases, it will be more prudent to reduce the number of subordinates reporting to him. However, availability of staff assistance and requirement to plan periodically and not on continuing basis will alter the position.

7. Use of Objective Standards

Supervising the subordinates requires that management must know how far plans are being followed and to what extent their performance tends to deviate from plans. He can know the deviations either by personal observation or through use of objective standards. In the latter case manager is saved of may time-consuming relationships and can concentrate on points of strategic importance, thus widening his span of supervision.

8. Territorial Contiguity of Functions Supervised

Where functions are geographically separated, supervision of components and personnel becomes more difficult and time-consuming. The manager must spend considerable time in visiting the separate units and make use of more time consuming formal means of communication. Geographic contiguity of functions supervises by the manager, therefore, operates to reduce his span of control.

9. Availability of Staff Assistance

Staff activities are not uncommon in business enterprises. When an organizations equipped with staff services, subordinates as a result, gain much of their guidance on methods, schedules and personnel problems from staff experts and thus, require fewer contracts with line managers, it is only when the staff fails to turn the show smoothly that the manager normally gets involved. Provision of staff assistance thus helps the executive to supervise a large number subordinates.

REVIEW QUESTIONS.

PART - A

8. Define Organizing.
9. Mention any for Charactertics of an Organization.
10. What is a Project Organization?
11. Define Matrix Organization.
12. What is Functional Organization?
13. Define Organizational chart.
14. Define Organizational Manual.

PART – B

6. State the steps involved in Organization process.
7. Differentiate between formal organization and informal organization.

8. State the contents of Organization chart.

PART – C

1. Elucidate the different types of Organization.
2. State the advantages and disadvantages of Departmentaion

UNIT – IV

STAFFING

LEARNING OBJECTIVES.

After reading this unit, students will be able to:

- **Explain the meaning and concept of Staffing.**
- **Understand the importance of Staffing.**
- **Understand the Process of Recruitment.**
- **Understand the Stages in Selection Process.**
- **Understand the Importance and Methods of Training.**
- **Learn the different methods of Performance Appraisal.**
- **Learn the steps in Carrier Strategis.**

4.1 INTRODUCTION

Management is a process of getting things done through the efforts of other people. Therefore, workers are given much importance in its operation. Hence, staffing is an essential requisite for organizational success. Staffing involves the assessment of the manpower needed, selection, training and development and appraisal of personnel at periodic intervals. The objective of staffing is to obtain the best talented people for the organization and to develop their skill and abilities.

Definition

According to Koontz O' Donnel,"Staffing or Human Resource Management is a Managerial Function of staffing involves managing the organization structure through proper and effective selection, training and development of personnel to fill the roles designed in to the organization structure"

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

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

4.2 ELEMENTS OF STAFFING

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

- Effective way in to Job Analysis.
- Effective Recruitment and Selection.
- Proper classification of personnel and pay fixed for them.
- Proper placement, adequate and appropriate training for development.
- Satisfactory and fair transfer and promotion.
- Sound relationship between management and workers.
- Adequate provision for Retirment.

4.3 STEPS IN STAFFING PROCESS or FUNCTION OF STAFFING.

1. Job Analysis.

2. Manpower Planning.

3. Recruitment.

4. Selection.

5. Training and Development.

6. Performance Appraisal.

7. Promotion.

8. Career Strategies.

1. JOB ANALYSIS.

It is an attempt to match jobs and job holders. For achieving this, a matching detailed knowledge of the nature and the requirements of different jobs are essential. Job analysis is a detailed study of qualification required for each job and chooses the methods or techniques to prefer each job.

A complete analysis of the job can be built up by going through the following steps suggested:

- *Identify and isolate the various tasks in a job.*
- *Examine how tasks are performed.*
- *Examine when and why tasks are performed.*
- *Identify the main duties involved in the job.*
- *Identify the main areas of responsibility for various assignment of work.*
- *Note the prevailing working conditions in respect of physical, social and financial aspects of the job.*

- *Identify the personal demands which a job makes on an individual incumbent.*

There are two aspects to job analysis:

JOB ANALYSIS

a. Job Description **b. Job satisfaction.**

A. JOB DESCRIPTION

Job description is a written statement showing Job Title, Tasks of the main duties and responsibilities involved in a job. It includes the information, such as name of job, summary of job, description of duties performed, equipment, materials used on job and so on.

B. JOB SPECIFICATION

Job specification refers to the summary of the personal characteristics required for the jobs. It describes the type of person required in terms of educational qualifications, experience, aptitudes and so on. In preparing job specifications, the minimum requirements for a job may be grouped as:

- *Mental or Educational requirements.*
- *Technical or skill based upon previous training, experience and speed in operating mechanical devices.*
- *Physical requirements such as height, strength, eye-sight and age.*
- *Responsibility for equipment, office records, materials and personal responsibilities.*

Hence, job specification provides information for selecting right type of personnel for the job and for the development of a training programme.

2. MANPOWER PLANNING.

Manpower planning is ensuring that the organization would have the right numbers and right kind of personnel available at the right time and right place. The objectives of the man power planning are as follows:

- *To enable the organization to forecast its requirement.*
- *To help the organization to match its manpower with skills necessary for achieving its objectives.*
- *To help the organization to know how its personnel are grouped and how their skills are used.*
- *To help the management in developing good employer and employee relationship.*

3. RECRUITMENT.

Recruitment process starts after the manpower requirement is ascertained. Recruitment is the process of searching for prospective candidates and stimulating them to apply for the vacant job.

Recruitment is the process of finding suitable candidates for the various posts in an organization.

Definition.

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

SOURCES OF RECRUITMENT.

There are two sources of recruitments namely:

(I). Internal Sources.   ***(II). External Sources.***

<u>Sources of Recruitment</u>

<u>I). Internal Sources</u>

(a). Promotion   ***(b).Transfer***

<u>(II). External Sources</u>

(a). Advertisement.

(b). Recommendations.

(c). Gate applicants.

(d).Employment Exchange.

(e).Educational Institutions.

(f). Personal Consultants.

(g). Waiting List.

(h).Unsolicited applications.

(i). Jobs and Contractors.

(j). Field Trips.

(k). Leasing.

I). INTERNAL SOURCES:

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

Advantages of Internal Sources of Recruitment.

- It increases the morale among the staff members of the company.
- The training expanses may be reduced to some extent.
- Internal promotion helps the staff members to derive job satisfaction.
- A promoted staff members may make use of his past experience in the new post.
- It reduces the conflict of staff members to work hard to get promotion.
- It ensures the continuity of job to the staff members and stability of the organization.
- Such expanses as an advertisement, recruitment, tests and interview are avoided.

Disadvantages of Internal Sources of Recruitment.

- *An under qualified person may be appointed in the higher position arising more problem.*
- *If the higher post is field internally, the company will not able to get fresh and original ideas and initiative from the staff members*.

(II). EXTERNAL SOURCES.

The external sources means that a vacancy is filled by the company from the outside the company. There are various external sources of recruitment. They are briefly explained below:

(a). Advertisement

The employer can advertise vacancies in his organization in popular newspapers. The details of the job and the qualification of the candidates are briefly given. The company may receive the applicants in response to the advertisement, after that, an interview will be conducted. The advantage of newspaper advertisements is that it has a wider coverage. Newspapers reach every nook and corner and therefore the employer is sure to get a number of applications from all eligible candidates.

In certain cases, the walk interview method may be adopted by the company. In the walk interview method, the applications are received from the candidates; the date and time, place of the interview are mentioned in the advertisement. In this way, a person can be recruited immediately through an advertisement.

(b). Recommendations

Vacancies may also be filled up based on the recommendations made by the existing employees, reliable and well known person to the company. A family member, relative or friend of an employee may be considered for appointment. An candidates are recommended by the existing employees, it is safe to employ them.

(c). Gate applicants or Casual applicants

The educated unemployed youth may conduct the company to get employment. Even the company might not have issued any advertisement for the post. The candidate personally approaches the appointing authority of the company. If such candidate is found fit for the any one of the posts which are vacant at that time, the candidate is appointed.

(d). Employment Exchange

Employment exchanges function under the control of the government. The job seekers register their names with their qualifications with the employment exchange. The company can get a list of candidates who have requisite qualificants to fit in a job out of the listed candidates any one of them can be selected.

(e). Private Employment Consultants or personal consultant

Private consultant is a separate specified agency doing the function of recruitment of the personnel on behalf of the company. The personal consultants it receives applications from the candidates verify the applicants, conduct interview and select the candidates. The personal consultant receives fees from the company for its service.

(f). Educational and Training Institutes or Campus Interview

: Many employers visit colleges and universities every year and interview students who are in their final year of study. The faculty may also involve in the process. Those students who are found to be deserving may be given placement by the employers in their concerns.

(g).Waiting List

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

(h).Unsolicited or Casual Applications

Unsolicited applications means the application received through mail from the candidate. The applications brings the information regarding the name and address of the candidate, his age, educational qualifications, experience, area of interest etc. If then any vacancy at the time, the candidate will be recruited for the specified post.

(i). Jobbers and Contractors

The casual vacancy may be filled up by the company through the jobbers and contractors. Normally, unskilled candidates are appointed in this way. Jobbers and contractors to the place of work and they receive some wages from the company for this service.

(j). Field Trips

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

(k). Leasing / Deputation.

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

<u>Advantages of External Sources of Recruitment.</u>

(a). Choice

A company can recruit a person out of a large number of applicants. Each and every candidate plus points and minus points are taken into consideration for the purpose of recruitment. Then the best candidate can be selected by the company.

(b). New outlook

If the required new candidates a new person is recruited by the company a new way of approach may down to save the problem , which will give maximum benefits to the company.

(c). Wide experience

If the required new candidates have experience various fields the company can give the benefits of the candidate experience.

<u>Disadvantages of external sources of recruitment.</u>

(a).Grudging of Old Employment

It candidate is recruited from external resources; the existing staff may have a grudge against him. It results in demoralization of the staff members.

Traditional Recruitment Methods:

- **Newspaper**– Recruiters have been using this since long for posting the job vacancies.
- **Internal Hiring**– Promoting one of the trusted existing employees to a hire position is the most accurate thing to do in terms of reliability.
- **Local employment office**– To get a variety of localites to have a look at the vacant job, putting up the job in LEOs fill the purpose.
- **Temp agencies**– one of the oldest methods of recruitment is to take help of a temporary employment agency to find potentials for the company.

Modern Recruitment Methods:

- **Smart phones**– Easiest and quickest way to connect with anyone in today's time is over a call or text and same goes for the candidates.
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-
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- **Social media/apps**– Various social media platforms such as Facebook, Instagram, twitter, LinkedIn offers a big pool of candidates and an inexpensive way to post the jobs. It has a

vast scope of quick engagement with the potential candidate. Along with these What's app and telegram groups are the fastest way to viral a job post!!

- **Event recruitment**– To reflect company's ethics and values and to gain popularity through sponsoring an event is very common these days, and why not? Since it's a great way to make a network of like minded people which later on helps in recruiting.
- **Re-recruiting**– Experienced and efficient employees who left their job due to any personal or organizational issue can be welcomed back to fill a position. It is a very convenient way as it saves training cost and reliability is high too!!
- **Online recruitment**– There are several job websites these days in the market which is the most frequently used method today for recruitment as these websites offer a vast pool of candidates to look at (ex- monster, indeed). Apart from this many recruitment agencies have their own website and job boards where candidates can easily fill a form and apply for that job making it easier for recruiters to get candidates on hand instead of hunting.
- **Scouting**– Companies send their representatives to universities or colleges to give details about the job vacancies. Popularly heard campus placements is a related term to this.

(4). SELECTION.

Once a decision is taken on the source of recruitment – whether it is internal or external, the next step is to proceed with the selection process. Selection is the device used in an organisation to select a suitable person who has required educational qualifications, skills, abilities, personality and the like. When an organisation gets more number of applications than needed, the applications is excess are rejected.

Definition :

According to Dale Yode, "Selection is the process adopted by an organisation to select adequate number of persons who are fit for the job"

STAGES INVOLVED IN SELECTION PROCESS.

The process of selection of candidates for the jobs involves the following Stages :

Stages involved in Selection Process

↓

(a). Receiving and Screening of Applications

(b). Preliminary Interview or Initial Interview.

(c). Test.

(d). Interview.

(e). Checking the References.

(f). Medical Examination.

(g). Appointment.

(h).Orientation.

(i). Probation.

(k). Confirmation of Service.

(a). Receiving and Screening of Applications

: Selection procedure starts only after the applications are received by a concern. Application usually contains information regarding, name of the candidate, age, educational qualifications, date of birth, experience, parents name, occupation, address for communication etc. candidates who do not possess the required qualifications are eliminated and others are called for preliminary interview.

(b). Preliminary Interview

The object of preliminary interview is to see the candidate personally to ensure whether he is physically and mentally suitable for the job or not. During the preliminary interview the employer may ask the candidate certain basic questions about his educational qualifications, previous work experience, areas of interest etc. it gives an opportunity to talk to the candidate directly and judge his ability to put forth his ideas. Such of those candidates who are successful in the preliminary interview may be called for certain tests.

(c). Tests

The test is conducted by the organisation for the purpose of knowing more about the applicants to be selected or rejected. Tests can be classified in to two kinds. They are Proficiency Test and Aptitude Test.

Types of Tests

(A). Proficiency Test

(a). Temperament Test.

(b). Achievement Test.

(c). Interest Test.

(B). Aptitude Test.

(a). Intelligence Test.

(b). Personality Test.

(c). Situational Test.

(d). Judgment Test.

(e). Efficiency Test.

(A). Proficiency Test.

Proficiency test refers to the testing of the skills and abilities possessed by the candidate or not.

(a). Temperament Test

Temperament tests used to measures the likes, dislikes and habits of an individual. It helpful to find out whether a particular individual can put up himself in a society or not.

(b). Achievement Test or Performance Test or Trade test

Achievement test is used to measure the level of knowledge for performing the work assigned to an individual. Sometimes the achievement test is conducted theoretically i.e. answers are received by putting questions to the individuals.

(c). Interest test or Vocational Test

The purpose of interest test is to measure a candidate's interest in a particular type of work. For example, office work consists of maintenance of records and files, receiving and sending mail, managing cash, etc. If the candidate shows preference for records management, he can be considered for such a job. Interest test enables the employer to assign the job for which the candidate has greater interest so that he can derive maximum job satisfaction.

(B). Aptitude Test.

Aptitude test refers to measuring of the skills and abilities which may be developed by the applicant to perform the job in future.

(a). Intelligence Test

The purpose of this test is to measure the level of intelligence of a candidate. The test generally includes individual test, self evaluation test, self administered tests, performance tests, verbal comprehension, word fluency, memory, inductive reasoning, test of reasoning, number facility, Speed of perception and the like. The intelligence is conducted age wise. If the management selects highly intelligent people, its training process is easy and training expenses are low.

(b). Personality Test

The purpose of this test to measure courage, initiative, emotion, confidence, reaction, ability to mix with others, ability to motivate, genera behaviour of the individual, cheerfulness, leadership, patience and domination of character.

(c). Situational Test

The purpose of this test is conducted to measure the reaction of applicants to a particular situation. Besides, the applicant's ability to succeed in his job in a particular situation is also measured.

(d). Judgement Test

The purpose of this test is conducted to measure the ability of an individual in applying the knowledge, intelligence and experience to solve the problems presented before him.

(e). Efficiency Test

Efficiency test is used to know how, quickly and efficiently an individual uses his hands to accomplish the work assigned to him. It is otherwise called dexterity test.

Advantages of Test.

- Tests help the employer to find whether a candidate is fit for the job or not.
- Besides, tests help in checking candidates claims in respect of qualifications, experience etc.
- Applicant is also satisfied with the method of selection even though he/she is not selected.

Disadvantages of Test.

- Some candidates do not reveal their talents through tests and also actual performance of a candidate cannot found out through the test.

(d). Interview.

Interview is considered as a method of personal appraisal through face to face conversation and observation. Interview helps the employer to evaluate the candidate regarding the personality, smartness, intelligence, attitude etc.

The candidate should succeed in two stages of interview. In the first stage (Preliminary Interview), the personnel department makes a thorough evaluation of a candidate. In the second stage (Final Interview), the successful candidates from the first stage are sent to the functional department where additional hands are required. The candidate who has successfully passed the second stage is selected.

Types of Interview

(a). Direct Interview.
(b). Indirect Interview.
(c). Structured Interview.
(d). Stress Interview.
(e). Systematic in depth Interview.
(f). Board or Panel Interview.
(g). Group Interview.

(a). Direct Interview

Under this type of interview, straightway questions are put before the applicant to get answers for them. Face to face conversation is the trend towards the interview. They are depth knowledge of applicant is not observed under this type of interview. But the skills, character area of interest and attitudes of the applicant can be identified to some extent.

(b). Indirect Interview

Under this type of interview, questions are not raised directly by interviewer before the interviewee. The particular applicant is requested to express his views on any topics as he likes. The interviewer carefully listens to what the applicant express. The interviewer does not interpret the applicant's views. The applicant has full freedom of expression. The personality of the applicants is easily assessed by the management.

(c). Structured interview or Patterned Interview

In a structured interview the interviewer has a list of questions with answers prepared well in advance. The candidates interviewed are asked questions only from the prepared list. Marks may be awarded to the candidates based on the answers they give and thereby their suitability for the job may be assessed.

(d). Stress Interview.

Irritating questions are put before the applicant by the interviewer. If any applicant gets angry when these types of questions are put to him, the particular applicant is evaluated as unfit for the job. For example, the interviewer may ask, "Dear Mr. Raman, what is your name?. These some questions which irritate anybody in normal conditions.

(e). Systematic in depth Interview

Under this type of interview, the interviewer asks any one of the questions initially. Then, he proceeds step by step to get an integrated view of the skills and personality of the applicants.

(f). Board or Panel Interview

A group of persons called interviewers ask the applicant questions in the area of interest of the applicants. Immediately after the interview, they evaluate the performance of an applicant based on the answer given by the applicant.

(g). Group Interview or Group Discussion

Under this method a number applicants are interviewed simultaneously. A common topic is presented before the group; one group consists of six to eight members. Each applicant is allocated a number. They may call other members of the group by calling the concerned members number. They are restricted to use their names. The applicants are selected or rejected on the basis of performance in group discussion.

Principles of Interview or Qualities of Good Interview.

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

- The management should define the specific objectives of an interview.
- The interviewer should ask the questions which are related to the job to be filled.
- The interviewees are registered to express their opinions or views freely without any hesitationand interviewer should listen to the answers given by the applicants carefully
- The evaluation of the performance of the applicant is done immediately after the interview is over.

- The interviewer may say thanks to the applicants while closing the interview. This carriers much better impression about the interview and interviewer.

(e). Checking the References.

After the interview an investigation is made on the references supplied by the applicant regarding his past employment, education, character and personal reputation etc. At this stage the employer may contact such persons through telephones, letter, mail or Personal visit and get information regarding the conduct and character of the candidate.

(f). Medical Examination.

In otherwise called Physical examination. This is carried out for the purpose of assessing physical fitness of the prospective employee (eyesight, height, weight and Medical Fitness). Medical certificate is received from the doctor after the medical examination is over. This certificate is attached to the joining report of the new employee.

(g). Appointment.

If the employer is satisfied with the medical reports of the candidate, he may appoint him in his concern. The candidate is then given the appointment order. The appointment order states the date of appointment, the nature of the job, the salary and other allowances payable, the period of probation etc. on receiving the appointment order the candidate has to report for duty.

(h). Orientation.

Orientation refers to providing the information regarding the organisation briefly to new employees. The term information includes co-workers of new employees, superior, subordinates, location of work place, duties, authorities, responsibilities, accountability and the overall administration of the organisation. Orientation programme facilities very helpful in the effective performance of a job by the new employee.

(i). Probation.

Probation is the initial testing period of the candidate during which his performance will be watched. The period of probation may vary from organisation to organisation. In certain organisation it may be 6 months while in others it extends up to 2 years.

(j). Confirmation of Service.

Only on successful completion of the period of probation the candidate’s appointment will be confirmed. It is only after getting the confirmation order the candidate becomes eligible to contribute to provident fund and such other schemes.

Some business concern pay only consolidated pay to the candidate during his period of probation. He will be put on scale of pay only on completing his probation. The scale of pay shows the break ups of an employee’s salary, i.e., Basic Pay, Dearness Allowance, house rent allowance, city compensatory allowance and Medical Allowance payable.A candidate who has not performed satisfactorily during the period of probation will not be retained. He will be issued the terminate order.

(5). Training and Development.

The efficient functioning of an 103rganization depends upon the efficient or capability of personnel working in that 103rganization. The capability of an employee is evaluated or identified through some techniques. The need for training is decided by the management on the basis of the performance of an employee.

Training refers to a programme that facilitates an employee to perform the job effectively through acquiring increased knowledge and skills.

Definition.

According to Flippo, "Training is the act of increasing the knowledge and skills of an employee for doing a particular job"

According to Planty, "Training is the continuous systematic development among all levels of employees of that knowledge and those skills and attitudes which contribute to their welfare and that of the company"

Need or Importance of Training.

(a). Self Confidence

Training gives an employee confidence in handling the job assigned to him. It enables him to achieve the level of performance required by the job.

(b). Increased Production

It helps the employee to increase the quantity and quality of his output through improvement in work methods and skills.

(c). Avoidance of Accidents

It helps in reducing the number of accidents and break down.

(d). Reduction in wastage

It reduces the rate of spoilage and wastage.

(e). Mastery in new methods

by continuous training, workers develop tremendous skills and gain mastery in new methods.

(f). Better use of Resources

With trained workers, the enterprise can apply its physical, financial and human resources in a better and more economical way.

(h). Solving Routine Problems

Trained workers develop capacity for diagnosis and analysis of day to day problems. So, they need not rush to supervisors to solving routine problems.

Training methods or methods of training.

The various methods of training may be grouped under two categories:

Methods of Training.

(I). On the Job Training Method. | **(II). Off the Job Training Methods.**

(a). Orientation or Induction Method

(b). Apprenticeship Training.

(c). Job Rotation.

(d). Vestibule Training.

(e). Special Projects, Committees etc

(f). Refresher Training.

(a). Special Courses and Lectures.

(b). Conferences.

(c). Case Study.

(d). Role Playing.

(e). Management Game.

(f). Brain Storming.

(g). Sensitivity Training.

(h).Transactional Analysis.

(i). Business Simulation and Expert System.

(j).University management programs

(I). On the Job Training Method.

On the job training refers to training given to an employee in the place where he is employed. Work and learn is the philosophy of such a training concept. This type of training is more suitable to every type of employee.

(a). Induction Training

Induction training is also known as 'Orientation Training'. It required for all new employees. A person who has just been inducted into an organization must be informed of his duties. The nature of work must be clearly explained to him. For example, a person who has been appointed as a clerk in the office must know the specific task he has to perform – whether records management, mail handling, maintenance of accounts or cash management. A new employee must also be informed of the policies, rules and regulations of the organisation pertaining to signing attendance, availing leave, transfer, promotion and so on.

(b). Apprenticeship Training or Under Study Method

Under this method, a worker is appointed as an apprentice under a qualified senior worker. The apprentice learns the work by observing and asking the senior. The method is used in skilled trades such as carpentry, brick laying, tailoring, electricians, welders and plumbers etc.

(c). Job Rotation

In job training a person is given jobs in various departments of the organisation. Its object is to develop an employee by providing diversified training with different types of work.

(d). Vestibule Training

Under vestibule training, a new worker is trained in the specific skill in a special working area known as vestibule school set up in the plant. The trainee is free to learn the job at his own rate.

(e). Special Projects, Committees etc

Assigning employees to special projects, committees etc, is also one king of training. Besides, learning the jobs performed in these assignments. The employees also learn to work with different types of persons.

(f). Refresher Training

The object of refresher training is to enable the worker to constantly update their job knowledge. It is not necessary for a worker to undergo refresher training outside his workplace. If a new and sophisticated machine or technology has been acquired by a business, the seller of the machine will educate the workers on the method of operation. He will send his technicians for the purpose of assisting and guiding the workers.

(II). Off the Job Training Methods.

In this type of training, a trainee leaves his working place and devotes his entire time for training purpose. This training is given either in the organization itself or by sending the trainees to training courses organized by specialized institutions. This method of training method most suitable for training junior executives. Some of the off the job training methods are discussed below:

(a). Special Courses and Lectures

Special courses and lectures are some of the knowledge based training methods. The basic concepts and theories, principles and pure applied knowledge of the particular subjects are imparted to the participants. This type of training is aimed at giving fundamental information to the trainees.

(b). Conferences and Seminars

Conferences and seminars provide a platform for the exchange of ideas and experience among employees of different organization. They are excellent media for managerial development.

(c). Case Study

The trainees are given cases and asked to identify the problems, analyse the causes and suggest solutions. It serves as useful technique for developing the analytical ability of managers.

(d). Role Playing

Under this method, employees are assigned certain roles to play. For example, a dispute between a superior and a worker is acted out. This method is based on the assumption that a person understands a situation if he is made to act the roles involved in it. The advantage of this method is that is helps to develop leadership skill and decision making skill.

(e).Management Game

Different groups of trainees participate in a management game. The trainer specifies a certain situation in which each group has to make decisions in the specific area assigned to it. For example, the trainer may ask the different groups to make certain important decisions regarding pricing, sales promotion, distribution network etc., under conditions of cut-throat competition. One group may decide on price, another on sales promotion and so on. The decision of the group, on the tasks assigned to it, will then be evaluated and feedback information is given to it. All the participating groups would make an endeavour to achieve optimum results.

(f). Brain Storming

A conference technique by which a group attempts to find a solution for a specific problem by amassing all the ideas spontaneously contributed by its members or using the brain to storm the particular problem.

(g). Sensitivity Training or T group Training.

It is also called the human relations training. Under this training the different groups of trainees are allowed to mix up each other and communicate with each other freely and criticise the behaviour of each other thereby giving a feedback positive or negative.

(h). Transactional Analysis

It is another training method to develop interactive and communication skills. Understanding of personal factors of individuals is the main objective of transactional analysis. Besides, the ego, status of individuals is identified. Parent’s ego, child ego of the individuals is understood under the training for transactional analysis.

(i). Business simulation and Expert systems

Introduction of microcomputers has made these approaches to training and development. Business simulation is the best illustrated by topics discussed at meetings of the association for business simulation and experimental learning. For example, with attitudes and values to simulation in courses, such as accounting, financial analysis, market researching, decision support systems, business policy and strategic management.

(j). University management programs

Now, many universities management courses conduct workshops, conferences and formal programs for training managers. These offerings may include short seminars, live in programs. The university programs expose managers to theories, principles and new developments in management.

6. PERFORMANCE APPRAISAL AND CAREER STRATEGY.

Performance appraisal is the process of making an assessment of the performance and progress of the employees of an organization. Once an employee has been inducted into the organization and given the necessary training, the next step is to assess his performance periodically.

Such an assessment would indicate whether he is efficient or not. Performance appraisal is also known as merit rating or efficiency rating.

Performance appraisal means the systematic, evaluation of the performance of an employee by an expert or his immediate superior.

Definition.

According to Edwin B.Flippo, " Performance appraisal is a systematic, periodic and so for as humanly possible, an impartial rating of an employee's excellence in matters pertaining to his present job and to his potentialities for a better job"

Objectives of Performance Appraisal.

- To determine the *effectiveness of employees* on their present jobs. So as to decide their benefits.
- To *identify the short coming of employees*. So as to overcome them through systematic guidance and training.
- To find out their *potential for promotion* and development.
- To judge the *effectiveness of selection and Placement*.
- To *guide and motivate self development* of personnel by providing information on how well they are doing.

Advantages of Performance Appraisal.

- Performance appraisal helps the management to take decision about the Salary increase of an employee.
- The continuous evaluation of an employee helps in improving the quickly of an Employee in job performance.
- It minimizes the communication gap between the employer and employee.
- The grievances of an employee are eliminated through performance appraisal.
- The job satisfaction of an employee increases the morale. The job satisfaction is achieved through performance appraisal.
- It helps in improve the employer and employee relationship.
- Performance appraisal is used to transfer a person who is misfit for a job to the right placement.

METHODS OR TYPES OF PERFORMANCE APPRAISAL.

(a). Ranking method.

(b). Paired comparison method.

(c). Forced Distribution method.

(d). Grading method.

(e). Checklist method.

(f). Forced choice method.

(g). Critical Incident method.

(h). Filed Review method.

(i). Graphic Scale method.

(j). Group Appraisal method.

(a). Ranking method

This is a conventional method of appraisal. Under this method, the employees in a group are ranks by the superior according to their individual performance. The method resembles the one followed in school in preparing the progress reports of the students. The best employee gets the first rank, the second best the second rank and so on.

Name of the employee	Shyam	Mohan	Sunder	Rajiv
Rank	4	3	2	1

A number of factors like attitude, aptitude, behaviour, honesty, commitment, etc., will have to be considered in making an assessment of an employee’s performance. The superior may make a subjective assessment rather than an objective measurement of the employee s progress .For a subjective assessment the ranking method may not be recommended.

(b). Paired comparison method.

In this case a subordinate in a group is compared with the other members. For example, if A, B, C and D are the subordinates working under S; A may be compared with B, C and D in respect of job knowledge, initiative, and extent of co-operation and so on. In this manner each employee is compared with other employee taking only one time. Finally an employee who gets maximum ticks for a better employee is considered the best employee. This method is generally considered to be a complicated one.

(c). Forced distribution method.

This method which forces the ratter to distribute the ratings of the overall performance of an employee is known as forced distribution method. Group wise rating is done under this method. For example: A group of worker doing the same job would fall into same group as superior at and above average, below average and poor. The ratter rates 15% of the worker as a superior 35% of the worker above average, 35% of workers as below average and 15% of workers as poor. This method is suitable to large organisations. But the individual traits could not be appraised under this method.

(d). Grading Method.

In this method, the performance is defined in certain character tics such as Outstanding, Excellent, Good, Satisfactory and Poor are defined in advance. The employees are put in particular category depending on their performance.

(e). Checklist method.

Under this method of appraisal involves a series of questions related to the individual behaviour. Each question has two alternatives, Yes or No as given below. **Some examples**

1. Does he maintain discipline well? Yes / No.
2. Is he regular in the Job? Yes / No.
3. Does he obey the instructions properly? Yes / No.

These are examples questions. When the checklist is completed, it is to send personnel department. For further processing, the personnel department calculates the total scores which show the appraisal result of an employee.

(f). Forced Choice Method.

A series of groups of statements are prepared positively or negatively. Both these statements describe the Charactertics of an employee. But the ratter is forced to tick any one of the statements either out of positive statement or negative statement. The degree of description of the Charactertics of an employee various from one statement to another.

Example of Forced choice method:

Positive Question	Negative Question
Very Knowledgeable	Quarrelsome
Meticulous in Planning	Undependable
Very good in execution	Non co-operative
Sincere	Poor in planning.
Possess good communication skills	Lacks initiative
Loyal	Lethargic

(g). Critical Incident method.

Under this method, the evaluation is based on key incidents. A stress is given on the behaviour of the worker on the job. His behaviour at work is observed as to whether he becomes upset over work, resists the change, co-operate the fellow worker, suggests an improved method of various work behaviours are recorded by the supervisors. It can be weighted and ranked in the order of frequency. If suppose the critical event does not happen, it will be difficult to rate employees.

(h). Filed Review method.

Under this method, supervisors are interviewed about the performance of their sub-ordinates by an expert from the personal department and the details are recorded. If the interviews competent and the supervisors co-operate with him. This system may be very useful for large concerns.

(e). Graphic Scale Rating method.

This method of evaluation of employees is widely used in enterprises. The important qualities to be assessed are determined first. The extent of fulfilment of each such quality by an employee is then tick marked.

Example.

Name of the employee: *M.Guna*. Designation : *Sr.Mechanic*. Nature of Work : *Repair work head*.

Qualities	Excellent	Very Good	Good	Average	Poor
Knowledge of Work					
Quality of Work					
Quantum of Work done					
Extent of Co- operation.					
Initiative					

(j). Group Appraisal method.

In this method the rating is made not by a single rater, but by a group of supervisors. The group consists of the immediate supervisors and three or four other supervisors having knowledge of the employee. In this method, there is no possibility favouritism. It is time consuming process.

Barriers to Effective Performance Appraisal.

- The ratter has faulty assumptions about an employee who comes under the performance appraisal system.
- An employee may act indifferently while being appraised.
- There are some psychological factors responsible for ineffective performance appraisal. The psychological factors include appraisal as an extra work to the appraiser, which arises of conflict with subordinates and the appraisal unwilling to remark the inefficiency of subordinates and so on.
- The prevailing family or friendship relationship between the ratter and rate.
- If there is any careless on the part of ratter in accurate evaluation will be obtained.
- There is no clear cut standard for work performance to compare with actual performance.

Principles of Effective Performance Appraisal.

Systematic performance appraisal should be an accurate and reliable one. The management may take the following measures to overcome the barriers of performance appraisal:

- Before an appraisal system the objectives should be communicated to all the employees, the objectives may be promotion, pay increase etc.
- Single employee is rated by two person, then the comparison is made to get accurate rating.
- Continuous and personal observation of an employee is essential to make effective performance appraisal.
- The ratting should be done by an immediate supervisor of any subordinate in an organization.

- The rating is conveyed to the concerned employee. It helps in several ways. The employees can understand the position where he stands and where he should go.
- The plus points of an employee should be recognised at the same time, the minus points should not be highlighted too much but they may be hinted to him.

360-DEGREE PERFORMANCE APPRAISAL:

Meaning:

The 360-degree performance appraisal, also known as multi-rater feedback or 360-degree feedback, is a comprehensive evaluation method that collects feedback on an employee's performance from various sources, including peers, subordinates, supervisors, and sometimes even external stakeholders. The term "360-degree" reflects the idea of obtaining feedback from all directions, providing a more holistic view of an individual's strengths and areas for improvement.

Purpose:

1. **Comprehensive Assessment:**

   To gather insights from multiple perspectives to provide a well-rounded evaluation of an employee's performance.

2. **Professional Development:**

   To identify areas for improvement and development opportunities, aiding in the individual's professional growth.

3. **Enhanced Self-Awareness:**

   - **Purpose:** To increase self-awareness by exposing individuals to diverse viewpoints, helping them understand how their behavior and performance impact others.

4. **Promoting Fairness:**

   To reduce biases and subjectivity by collecting feedback from a range of sources, ensuring a more balanced and fair assessment.

Advantages:

1. **Holistic Feedback:**

   Provides a more complete and well-rounded picture of an employee's performance by considering multiple perspectives.

2. **Developmental Focus:**

   Emphasizes employee development by identifying strengths and areas for improvement, fostering continuous learning.

3. **Reduced Bias:**

   Minimizes bias and subjectivity that may be present in traditional performance appraisals by incorporating diverse viewpoints.

4. **Enhanced Motivation:**

Can enhance employee motivation and engagement by involving them in the feedback process and showing a commitment to their professional growth.

5. **Team Collaboration:**

Encourages collaboration and teamwork as individuals gain insights into how their actions impact others within the organization.

Disadvantages:

1. **Complex Implementation:**

Requires careful planning and execution, as collecting and analyzing feedback from various sources can be administratively complex.

2. **Risk of Misuse:**

There's a risk that the feedback may be misused for personal or political reasons, potentially damaging relationships within the organization.

3. **Time-Consuming:**

The process can be time-consuming, both in terms of data collection and the subsequent feedback discussions, which may impact overall productivity.

4. **Resistance to Feedback:**

Some employees may resist feedback from multiple sources, finding it overwhelming or challenging to accept criticism from peers and subordinates.

5. **Scoring Inconsistencies:**

Inconsistencies in scoring and interpretation may arise due to varying perspectives and differences in rater understanding.

(7). PROMOTION.

Promotion means shifting of personnel to a higher position carrying increased wages and responsibilities. It is a movement from lower to higher rank involving higher salary, responsibility and increase in status.

Need or Objectives of Promotion.

(a). It is to promote job satisfaction on the part of the employee.

(b). Promotion provides economic and moral development in employees.

(c). Promotion motivates the employees and increases the efficiency of employees.

(d). It is useful in conserving skill, training and ability.

(e). It reduces labour turnover and absenteeism.

Basis of Promotion.

Promotion is made on any one of the following two ways:

(a). Promotion based on Seniority.

It creates a feeling of discipline and respect for senior persons. It keeps the senior worker satisfied.

(b). Promotion based on Merit basis.

It recognizes and rewards merit and competence. It motivates competent employees to greater effort. It enables the organization to retain competent employees. It leads to increase in productivity.

(8). CAREER STRATEGIES.

Career program should look forward in developing people for the long time needs of organization and the capable of dealing with the dynamic changes that will take place overtime in attempting to match individual abilities and aspiration with the needs.

Formulation of Career Strategy

The appraisal of performance is used to identify the strengths and weakness of an individual. It is the starting point of career plan. Process of developing a personal career strategy similar to an organization strategy. This process includes the following steps:

Steps in Formulation of Career Strategy

(a). Preparation of a personal profile.
(b). Development of Long range a Personnel and Professional goals.
(c). Analysis of the Environment: threats and Opportunities.
(d). Analysis of Personal Strengths and Weaknesses.
(e). Development of Strategic Career Alternatives.
(f). Consistency Testing and Strategic Choices.
(g). Development of Short – Range Career Objectives and Action Plans.
(h). Development of Contingency Plans.
(i). Implementation of the career plan.
(j). Monitoring Progress.

WORKING FROM HOME

Working from home refers almost exclusively to the act of an employee working from their home in a home office setup, whether this is a set number of days a week or full time. However, remote work means a role can be performed from anywhere in the world, making it a popular working style with digital nomads as it can be completed from co-working spaces when travelling.

Benefits of working from home for employers

For employers, there are plenty of benefits to allowing employees to work from home. Among other things, employee retention and productivity can be improved when allowing your team to work from a home office at least a few times a month. Other benefits include:

- Reduced overhead costs: Having employees work either hybrid or from home full-time means a smaller office is needed, which can help keep costs down.
- Improved trust: Telling your employees you trust them to work from home can be hugely beneficial to your relationship with your team. Improved mutual trust will also have a huge impact on motivation and overall workplace happiness.
- Bigger talent pool: Hiring people who can complete their role from home opens up the door to candidates who may previously have been excluded. This can be those who don't have access to a car to commute, those with young children, among many others.
- Better business reputation: Especially in the modern working world, allowing employees to work from home is becoming increasingly common. Not having this as an option on your job advert could risk your brand reputation and deter talent from applying.
- Reduced absences: A massive benefit to all employers is that by allowing employees to work from home is that when they're feeling slightly under the weather, they can work in a home office. This allows them to take it slower, as well as not bringing germs into the office and causing absences in other staff.
- Increased concentration: When various deadlines are approaching, allowing employees to work from home can ensure they are able to give their full attention to a task. Without the added distraction of a bustling office, they're able to get their heads down and give a task their full concentration levels.

How can employers support a team who work from home?

Whether you're just starting out with a team that works from home or are experiencing problems with an existing WFH team, there are a few ways that the process can be streamlined. As a general rule, communication is the most important factor when working from home, being able to get in touch with an employee in home office is essential for productivity and trust. These factors are also worth executing:

- Morning briefing: Having a quick morning Zoom call to run over the day's schedule and tasks will mean you're aware of what the employee is working on that day and give you an idea of how you can assist each other.
- Visibility of schedule: Putting together a Google sheet or Asana/Trello board with the day's tasks in will mean that you will know what output to expect from an employee even when they're working from home. It will also ensure that they can get their tasks done with minimal disruption, as they won't need to give constant updates on their working schedule.

- Status updates: That being said, it’s a good idea to have a system in place to provide status updates. This could be as easy as the team member putting a status on Slack or other communication software when they go to lunch, allowing the rest of the team to know when they can be reached.

REVIEW QUESTIONS.

PART - A

1. Define Staffing.
2. Write any two roles of staffing.
3. What are the steps involved in Manpower Planning?
4. What is management inventory?
5. What is Job analysis?
6. Distinguish between job description and job specification.

. What is job design?

8. Define Recruitment
9. List out sources of Recruitment.
10. What is selection?
11. List out steps involved selection process.
12. What is meant by Test and List out a Types of Test?
13. What is Orientation?
14. Define Training
15. List out types of training.
16. Define Brain Storming.
17. Define Performance Appraisal.
18. Define Carrier Strategy.

PART – B

1. State the Job Analysis.
2. State the Job Specification.
3. List out a sources of External Recruitment.
4. List out a Types of Test.
5. List out a Types of Interview.
6. State the importance of Training.
7. List out a off the Job training methods.
8. State the Objectives of Promotion.
9. State the steps in Career Strategies.

PART – C

1. Discuss the different sources of Recruitment..

. Discuss in detail about stages in selection process..

3. Elucidate the Methods of Training.

4. Discuss the different methods of Performance Appraisal.

UNIT – V

CONTROLLING

LEARNING OBJECTIVES.

After reading this unit, students will be able to:

- **Explain the meaning and concept of Controlling.**
- **Understand the importance of Controlling.**
- **Understand the steps in Controlling.**
- **Understand the Types of Managerial Controlling.**
- **Understand the Controlling Methods..**
- **Understand the Traditional Method of Controlling.**
- **Learn the different methods of Budgetary and Non budgetary controlling methods.**
- **Learn the Modern methods of Controlling.**
- **Learn the Steps in Effective Controlling methods.**

5.1 CONTROLLING

Control is one of the most important functions of management, second, perhaps, only to the function of decision-making. Control has very broad applications in both the personal as well the as industrial world, which ensures that events turn out the way they are intended to. Control is a powerful force if applied properly. For instance, energies like nuclear power, controlled air and controlled water run machines and industries.

Control is a set of mechanisms used to evaluate organizational performance against the set standards. When deviations occur, appropriate steps are taken to correct these deviations to ensure that the organization stays on course. Success or failure of planning depends upon the result of success or failure of controlling.

5.2 DEFINITION

Knootz and O'Donnel, "Controlling is the measurement of accomplishment against the standards and the correction of deviations to assure attainment of objectives according to plans"

George R.Terry, "Controlling is determining what is being accomplished, that is, evaluating the performance and if necessary, applying corrective measures so that the performance takes place according to plans"

Haynes and Massie, "Control is any process that guides activity towards some pre-determined goal. The essence of the concept is in determining whether the activity is achieving the desired results"

Dalton E. Mc Farland, "The presence in a business of that force which guides it to a pre-determined objective by means of pre-determined policies and decisions"

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

5.3 CHARACTERISTICS OF CONTROL

(a). Control process is a Universal.

Control is an essential function in any organization whether it is an industrial unit, university, government office, hospital etc.

(b). Control process is a continuous process.

Control is a never ending activity on the part of managers. It is a nonstop process. The manager watches the operation of the management and to see whether they are going towards the desired end and if not, actions are not taken to corrective them.

(c). Control process is action based.

Action is an essential element of the control. It is the action which ensures the performance according to the decided standards.

(d). Control process is forward looking.

Control is linked with future not past. A proper control system prevents losses and minimizes wastages. It acts as a preventive measure.

(e). Control is closely related to planning.

A plan gives the direction to various business activities while control verifies and measures the performance of these activities and suggests proper measures to remove the deviations.

5.4 IMPORTANCE OF CONTROLLING OR NEED FOR CONTROLLING OR ADVANTAGES OF CONTROLLING.

A good controlling system gives the following benefits of the organization.

(a). Verification of policy.

(b). Adjustments in Operations.

(c). Improved Managerial Decision-making.

(d). Psychological Pressure.

(e). Co-ordination.

(f). Employee Morale.

(g). Efficiency and Effectiveness.

(h). Enhancement of enterprise goodwill.

(i). Avoiding Industrial Accidents.

(a). Verification of policy.

The management frames the policies and plans to help the organization function effectively and smoothly. The organization performance is reviewed in the light of these policies. The organizational performance might deviate from the plans or standard on account of many internal and external factors. Constant review of plans helps to revise and update them and it chances for verify the policy through the control process.

(b). Adjustments in Operations.

Controlling provides a clue to find whether the plans are properly implemented to achieve the objectives. The deviations from standards are corrected immediately. Thus control makes necessary adjustments in operation.

(c). Improved Managerial Decision-making.

Controlling provides opportunities to management to undertake better decision-making: utilizing the information provided by the controlling feedback mechanism. In a way, controlling paves the way for better future planning, effective organizational change, modifying staffing procedures and practices and adopting better directing techniques. Controlling leads to an improved overall managerial performance as well as stimulating better managerial decision making.

(d). Psychological Pressure.

Control process puts a psychological pressure on the individual for better performance. The sound control system inspires employees to work hard and give better performance.

(e). Co-ordination.

Control helps to emerge the coordination of the subordinates in the organization. Control ensures coordination of the activities of different department through unity direction.

(f). Employee Morale.

Control creates an atmosphere of order and discipline in the organization. Control contributes order and discipline and increase morale among the employees.

(g). Efficiency and Effectiveness.

Proper control ensures organizational efficiency and effectiveness. The organization is effective if it is able to achieve its objective. Since control focuses on the achievement or organizational objectives, it necessarily leads to organizational effectiveness.

(h). Enhancement of enterprise goodwill.

Controlling helps enhance the goodwill of the enterprise. In fact, a controlled enterprise shall be able to provide timely and qualitatitive services to society; earning for itself, a name in society called goodwill or image. Such goodwill further attracts more customers to the enterprise; creating additional sales and fetching super profits.

(i). Avoiding Industrial Accidents.

Employees, proceeding in the controlled manner, while undertaking production work on machines etc; are likely to meet with fewer unfortunate industrial accidents. This factor makes for industrial peace in the enterprise; imparting, at the same time, a happy and safe operational life to employees.

LIMITATIONS OF CONTROL.

(a). Absence of perfect standards.

(b). Difficulty in fixing respondents.

(c). Uncontrollable factors.

(a). Absence of perfect standards.

Standards cannot be fixed in all the cases. In some areas, quantitative standards cannot be expressed. In the absence of quantitative standards, the performance cannot be measured accurately. This indicates the ineffectiveness of control process.

(b). Difficulty in fixing respondents.

Normally, control reduces the freedom of employees. So, the employees resist the exercise of control. Then the control loses its effectiveness. Thus, the management has to face the difficulty of fixing responsibility.

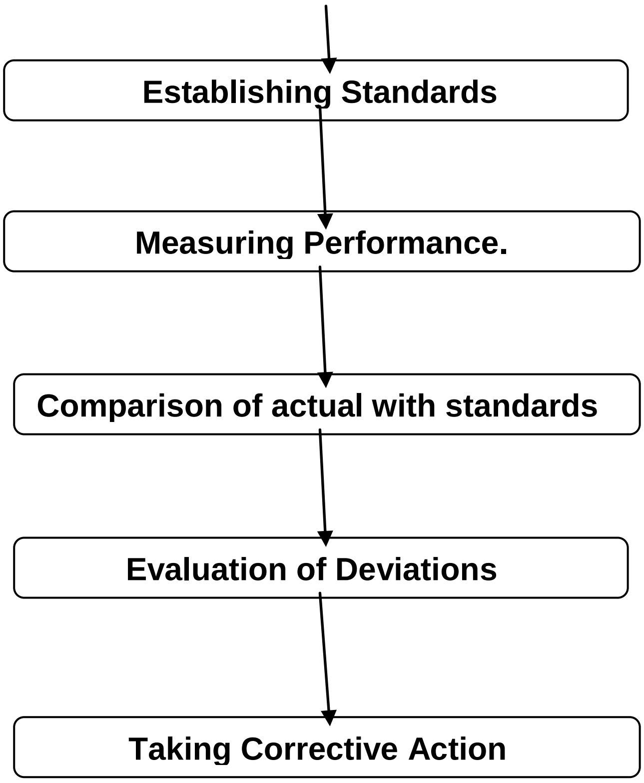
(c). Uncontrollable factors.

Some of the factors cannot be controlled by the management or organization. Changes of government policy, strategy of competitors, introduction of new substitute products in the market, technology changes, consumer preference changes could not be controlled by the organization or management. These are external factors of organization.

5.5 STEPS IN CONTROL PROCESS.

The following steps followed by Effective Control Process

STEPS IN CONTROL PROCESS



1. Establishing Standards

The control process begins with the establishment of standards of performance against which organizational activities can be compared. These are levels of activities established by management for evaluating performance. These standards must be clearly specified and understood by all organizational members without ambiguity. They should be defined in measurable terms, wherever possible, such as physical units produced per period of time, profit to be made per unit and so on. *For example, the goal of a real estate broker may be to sell four houses per month. He can then plan the month and monitor his performance. As another example, a college professor may have a goal of covering ten chapters from a book over a period of one semester. He can plan his schedule of teaching accordingly to meet that goal. These precisely stated standards, goals and objectives facilitate ease in communication to all persons and this makes the control process easier to monitor*

There are situations where it is not possible to quantify standards such as in the case of high morale, community relations, discipline or creativity. In such cases, all efforts should be made to fully understand these qualitative goals and design control mechanisms that would be useful in measuring performance in these situations. Some of the quantitative standards against which performance can be measured are:

(a).Time standards: The goal will be set on the basis of time lapse in performing a particular task. It could be units produced per hour, number of pages typed per hour or number of telephone calls made per day. Managers utilize time standards to forecast work flow and employee output. Standard employee output also determines the extent of financial incentive plans.

(b). Cost standards: These standards indicate the financial expenditure involved per unit of activity. These could be material cost per unit, cost per person, cost of distribution per unit and so on. Budgets are established to reflect these costs and they provide monetary check-points for comparing actual costs with budgeted costs.

(c). Income standards: These relate to financial rewards received for a particular activity. Examples would be sales volumes per month, sales generated by a sales person per year and so on.

(d). Market share standards: This goal would be oriented towards the percentage of the total market that a company wants to retain or further acquire. For example, a company may want to increase its share of the market by four percentage points per year for the next five years.

(e). Quality standards: These standards express levels of quality expected of a product or service. There are quality control programs which monitor the level of quality of a product. These may be tolerances within which the quality may be accepted. For example, the space shuttle and aircraft manufacturers have zero-defect production requirement while other products may have less stringent quality standards.

(f). Productivity: Productivity or quantity standards are expressed in numerical terms as the expected number of items produced per man hour or per given activity. These goals are the key to operational efficiency and are set on the basis of past performance, degree of mechanization, employee skills and training required and motivation of employees.

(g). Return on investment (ROI): Return on investment is comprehensive and useful standard as it involves all facets of the business such as turnover, sales, working capital, invested capital, inventory levels at given times, production costs, marketing costs and so on. It is a ratio of net income to invested capital. It is superior to market share as a standard because a large market share does not necessarily mean higher profits.

(h). Quantitative personnel standards: The worker morale and dedication can be measured to some degree by some quantitative standards. These standards may be the extent of employee turnover, number of work related accidents, absenteeism, number of grievances, quality of performance and so on.

2. Measuring Performance.

Once the standards have been established, the second step in the controlling process is to monitor and measure the actual performance. Monitoring and. measuring is a continuous activity and involves collection of relevant data that represents 'the actual performance of the activity so that a comparison can be made between what is accomplished and what was intended to be accomplished.

According to Suchman, there are five types of evaluations. These are:

(a). Effort: Effort reveals the extent of input and the idea is to measure such input to see if it is adequate in meeting the set objectives. *For example, the number of courses offered in the Business Department at the university would indicate the extent of the business program. Similarly, the number of patient beds in a hospital would be a measure of input for providing healthcare. A salesperson's performance may be measured by the number of calls he makes per day. Similarly, the number of beds in a hospital does not necessarily mean quality health care which is the ultimate goal*.

(b). Effectiveness: As indicated above, the evaluation of input elements does not adequately convey the degree of effectiveness and results. This problem can be eliminated by measuring outputs such as the number of clients placed in jobs, in the case of the employment agency or the number of patients cured in a given period of time in the case of a hospital.

(c). Adequacy: Adequacy is the ratio of output to need and is a useful measure if the need and the output can be clearly identified and related. If the needs are satisfied then the performance can be considered as adequate.

(d). Efficiency: Efficiency relates output to input. According to Euske, in terms of efficiency, it is better if more can be done with the same amount of input or same output can be generated with less input. Efficiency measures are useful for comparing the same process at two points in time or two different processes with the same output.

(e). Process: It relates to underlying processes which convert effort into outcome or input into output. It treats output as a function of input so that the focus is on evaluation of mechanisms that convert efforts into results, rather than the effort itself. This understanding of mechanism will assist in predicting the output of the organization for a given input. However, the process must be mechanistic in nature and clearly understood in order to be effective. For example, a salesperson cannot know if his presentation will result in a sale even when such a presentation is done well and is well received.

3. Comparison of actual with standards or Comparing Measured Performance with Performance Standards

The next step in the control process is to compare actual performance to the standards set for such performance. This comparison is less complicated if the measurement units for the standards set and for the performance measured are the same and are quantitative in nature. Such comparison becomes more difficult when they require subjective evaluations. The comparison tells us if anything has gone wrong in the process or operations, if there is any deviation, negative or positive and what must be done as a restorative process for correcting such a deviation. Furthermore, this comparison, not only results in the correction of the divergence, but also ensures the application of the preventive steps which could guide the conduct of operations in the future.

4. Evaluation of Deviation.

Before a deviation is corrected, a thorough investigation should be undertaken regarding the reasons for such a deviation. The management should look not for symptoms but for the root cause of the problem. Some of the questions to be looked into are:

- Were these deviations due to unrealistic standards set?
- Could the suppliers have shipped faulty materials?
- Are the operators less efficient, dishonest about results or misinformed about applicable standards?
- Is the equipment in poor condition?
- Is the quality control department doing an adequate job?

There are many instances where projects went over budget and over time. In such cases, these projects should be examined in their entirety and from all angles in order to determine the root cause of such a discrepancy.

Deviations can be of two types, namely negative and positive.

(a). Negative deviations: Negative deviations are those that have negative repercussions as a result and may be in the form of cost overruns or the project being behind schedule or the quality or quantity of the product being below the expected levels. This underperformance must be evaluated to determine whether goals should be changed or if any other corrective action is needed. For example, if there has been a delay in completing the project, the reason may be low morale of workers which may be evident by excessive absenteeism or inefficient performance or the persons may not have been well trained for the specific job. A cost overrun could be due to price increases initiated by outside vendors or it could be due to excessive machinery breakdown. These deviations must be detected and properly evaluated.

(b). Positive deviations: Positive deviations indicate that the performance was better than expected and the goals achieved were either sooner than anticipated or less costly than planned. These positive deviations should also be fully investigated as to why underestimations were made so that new revised estimates can be established.

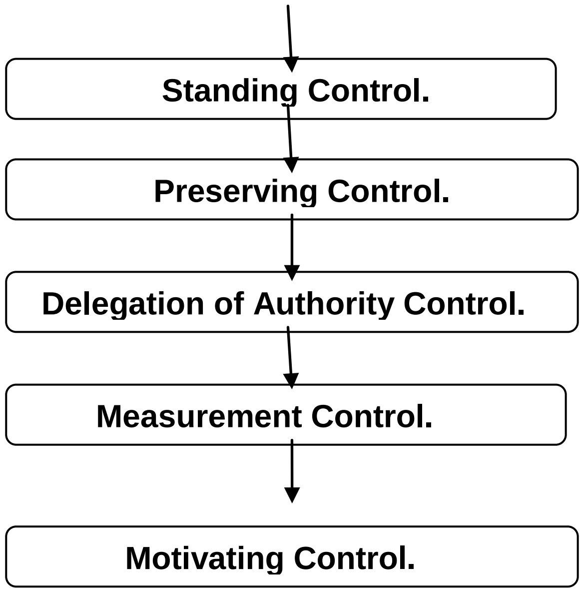
5. Taking Corrective Action

Once the deviations have been detected and presented to management for consideration, the decision must be taken as to what corrective actions are needed to remedy the situation. However, these corrective actions must be taken within the constraints of acceptable tolerance levels, outside environmental constraints such as those imposed by organizational culture or guidelines, labour unions, political and economic considerations and internal constrains of cost and personnel. Since the actual results do not always conform to the desired results, some deviations may be expected and thus acceptable and hence no corrective action may be needed. However, when deviations are of sufficiently serious nature, the following guidelines may be adopted for taking necessary action.

- Management must deal with the root causes of the problems and not the symptoms.
- Any corrective action should be taken promptly in order to make it most effective.
- Whenever and wherever possible, the corrective action should be built into the existing operations and these controls should be self-monitoring.

5.5 TYPES OF MANAGERIAL CONTROL.

Types of Managerial Control



(a). Standing Control.

Controls are used to standardize performance for increasing efficiency. Costs may be reduced by time and motion studies, inspections and work schedules.

(b). Preserving Control.

Company assets are protected or preserved through the allocation of responsibilities. Proper accounts are maintained for assets and usage of assets are controlled and put under strict supervisions.

(c). Delegation of Authority Control.

Control puts some limits to the usage or delegation of authority. The approval of the top management is necessary to use the delegation of authority. Policy manual, procedure manual and internal audits are some of the techniques include in this control.

(d). Measurement Control.

Controls are used to measure the job performance. Performance is measured through special reports, budgets, standard cost and production per hour or per employee.

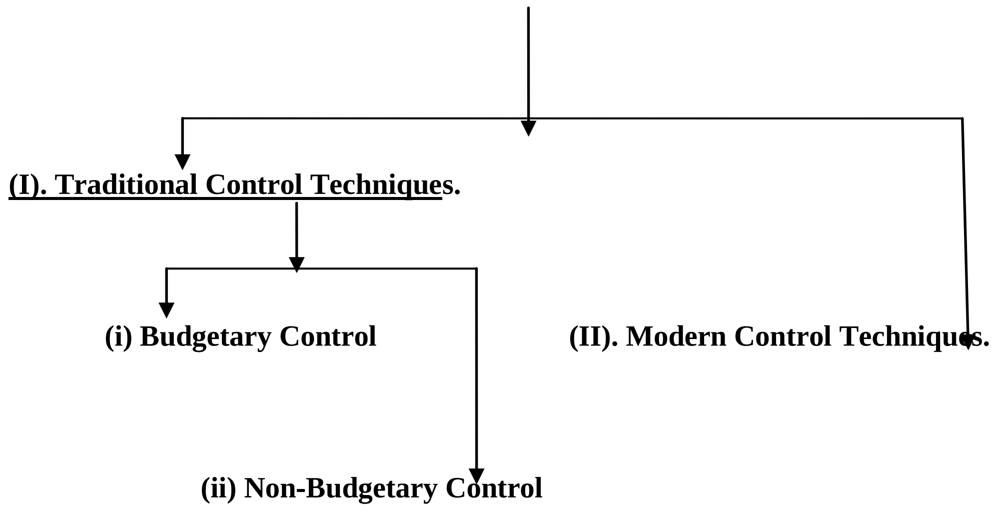
(e). Motivating Control.

Controls are designed to motivate the employees of organization. Motivation includes promotions, rewards for best opinions and operation, profit sharing and the like.

5.5 CONTROLLING METHODS or TECHNIQUES OF CONTROL

In an organization a variety of control techniques are used in controlling the operations. These techniques are useful in measuring the overall performance of the organization. The process of planning and controlling go hand-in-hand in the management of any organization. This necessitates the implementation of certain managerial control techniques that help to determine whether activities are executed according to plans. The various techniques of managerial control can be classified into two categories:

CONTROLLING METHODS or TECHNIQUES OF CONTROL



(I). Traditional control techniques.

The traditional control techniques can be further classified into:

(i). Budgetary Control

(ii).Non-Budgetary Control

(i). Budgetary Control.

Budgetary control is a tool used by the management to obtain the objectives expressed as in the form of budget. The actual results are compared with the budgeted figures. If there are any deviation, they can be remedied by either adjusting or correcting the cause of difference.

Objectives of Budgetary Control.

- Fixation of the income and expenditure department wise.
- Defining the goals or objectives of the organization for a stipulated period.

- It establishes a measure of performance for each division or section of the organization.
- Co-ordination of the work of various departments or sections of the organization.
- Forecasting the financial position of the company.
- Eliminate departmental accumulation of cost and performance data for control purposes.
- Determining the capital expenditure of the company.
- Helping the preparation of fund flow and cash flow statements.
- Indicating the area where action is necessary to take corrective action.

The following types of budgets are used to controlling the organization.

Types of Budget

1. Master budget
2. Sales budget.
3. Cash budget.
4. Production budget.
5. Time and material budget.
6. Selling and distribution cost budget.
7. Production cost budget.
8. Production overhead budget.
9. Research and Development budget.
10. Fixed budget.
11. Flexible budget.
12. Zero Base Budgets (ZBB).

1. Master budget

Master budget had detailed planning of the entire business in one budget. Most of the business organizations involve themselves in the preparation of the master budget. Master budget show how each department budget promotes the business as a whole. Other budgets are subsidiary budgets of master budget.

2. Sales budget.

Sales budget is the first of the subsidiary budgets of master budgets. Without preparing the sales budget, is not possible for prepared by the other budgets. Sales budget is prepared on the basis of data available from market research, population trends, consumers taste and fashion, consumers purchasing power, competitors trend and production capacity are considered while preparing the sales budget. Sales budget may be prepared by area wise or product wise.

3. Cash budget.

Cash budget discloses the probable cash receipts and cash payments for a specified period. Cash budget helps the management to arrange the finance accommodation from financial institutions or commercial banks if need arises and it avoids the lack of finance. In other words, the amount is received from the concerned party at the appropriate time in credit sales amount or any debt amount and it minimizes the bad debts.

4. Production budget.

Production budget is prepared on the basis of sales budget. In addition to that, the company considers the production capacity, number of skilled employees available, and availability of manpower, space and warehouse facility while preparing the production budget.

5. Time and material budget.

Time and material budget figures are expressed as direct labour hours, machine hours or units or material required to produce product and effectively utilizing the machine, material and man power in the organization.

6. Selling and distribution cost budget.

Selling and distribution budget is prepared by the sales department manager. It helps the management to control the costs of selling and distribution. This budget includes the selling and distribution cost such as packaging expenses, storage, insurance, transportation, advertisement expenses, sales commission, marketing research expenses and the like.

7. Production cost budget.

Production cost budget indicates the expenses to be incurred in the production process during the budget period. Production cost budget may sub divided into raw material budget, production overheads budget etc.

8. Production overhead budget.

Production overhead budget lays down all the production overhead to be incurred in production during the budget period. The overheads may be sub-divided into fixed overheads, variable overheads and semi fixed or semi-variable overheads.

9. Research and Development budget.

This type of budget is prepared by the large organizations. Research is carried on to invent new product or to improve the existing products. It is necessary to survive in the market. Marketing risk may be reduced to some extent with the help of research.

10. Fixed budget.

The budget figures remain unchanged irrespective of the level of activity. The level of activity is unknown obviously. The actual performance is more deviated from the standard.

11. Flexible budget.

A budget is prepared at various level of activity in columnar form. The expenses are divided into three categories such as fixed, variable, and semi-variable. The type of budget very useful to the management in taking corrective action if there are any deviations.

12. Zero Base Budgets (ZBB).

It is a new approach to budgeting. Zero-base is prepared without considering the previous years figures. This technique requires the recalculation of all organizational activities to ascertain which should be eliminated or reduced or increased. In other words, the funds are estimated at current requirements.

(ii) Non-Budgetary Control Techniques.

The following are various non-budgetary control techniques:

Types of Budget

1. Personal observation.
2. Statistical Data or Statistical Control Reports.
3. Special Control Reports.
4. Internal Audit.
5. Ratio Analysis.
6. Break- Even Analysis
7. Standard Costing.

1. Personal observation.

Under this technique, the manager personally observes the operations in the work place. The manager corrects the operations whenever need arises. Employees work cautiously to get better performance.. It enhances motivation and morale among the employees of the organization.

2. Statistical Data or Statistical Control Reports.

These type of reports are prepared and used in large scale organization. Data presented in the form of charts, graphs and diagrams provide a quick understanding of the problem. This technique is, therefore, used more often for managerial control. They are applied specifically in the field of quality control.

3. Special Control Reports.

This report may or may not contain statistical data. Using this technique, a particular operation is investigated at a specified time for a particular purpose. This is done according to the requirements of management but not in regular basis. The deviation from standards is paid additional attention and corrective action is taken. Handling complaints of damage is an example of this type of control technique.

4. Internal Audit.

Internal audit report is prepared at regular intervals, normally by months. It covers all the area of operations. This report is sent to the top management. The management takes steps to control the performance on the basis of the report. Internal audit report emphasized the degree of deviations for the expectations. It is very useful to attain the objectives on timely basis.

5. Ratio Analysis.

The control of the total functioning in an organization becomes possible by an analysis of the profitability, liquidity and solvency ratios. For example, the 'Financial Statement Analysis' facilitates diagnosing the suitability of a business venture.

6. Break- Even Analysis or Cost Volume Profit Analysis (CVP)

The break-even analysis is an analysis of the interrelationship between cost of production, volume of sales and profit at various levels of activity. Under this analysis total costs are divided into two i.e., fixed cost and variable cost. Fixed cost will never change according to the changes in the volume of production. Variable cost varies according to the volume of production. This analysis helps in determining the volume of production or sales and the total cost which is equal to the revenue. The excess of revenue over total cost is termed as profit. The point at which sales is equal to the total cost is known Break- Even Point (BEP). In other words, the break-even point is the point at which there is no profit or loss.

7. Standard Costing.

Standard costing is used to control the cost. The following are the steps involved in standard costing:

- Determination of cost standards for various components such as material, labour, and overhead.
- Measurement of actual cost in cost of production or cost per unit.
- Comparison of actual cost with Standard costs to variation.
- Finding the causes of variations and taking measures to avoid the variations in cost of future years.

(II). Modern control techniques.

Modern Control Techniques With the changing times, many new techniques and methods of managerial control have been developed to enhance the control of complex events. These techniques are based on an integrated approach towards the planning and control functions. The different modern techniques of managerial control are as follows:

1. **Return on Investment.**
2. **Human Resource Accounting**
3. **Management Audit**
4. **Responsibility Accounting**
5. **Network Techniques: PERT/CPM.**

6. **Production Planning and Control.**
7. **Management Information System.**
8. **External Audit Control.**
9. **Information Technology in Organizational Control.**
10. **Standing Orders**

1. Return on Investment (ROI).

Return on Investment is also known as return on the capital employed. Alternatively called as Rate of Return, this technique can be used for both planning and controlling objectives. It is derived from a ratio between the total profit and the total investment of an organization. Return on Investment helps to evaluate the functioning of an organization in the light of its total profit earned so far. Besides profit planning, this technique is also useful and suitable for capital budgeting in particular and for long-term investment.

Advantages of Return on Investment.

- ROI helps to know whether the resources are employed effectively or not.
- It concentrates on the basic objective of business, namely profit earning.
- ROI facilitates decentralization of authority. By defining a target rate of return for each department, it provides possible autonomy of management to Departmental heads.

2. Human resource accounting.

Most control techniques calculate financial performance in terms of costs, profits, revenue and other such concrete factors. However, the most important contributing factor, viz. human resources, is overlooked in these techniques. The Human Resource Accounting technique by Likert helps in the calculation of human resources. This technique involves:

- Accounting for people as an organizational resource
- Involving measurement of the cost incurred in the acquisition and development of human assets and
- The measurement of economic value of employees to an organization.

The value of any individual or employee is defined in this technique, in terms of the contemporary worth of the various services he is supposed to provide to the organization. This value is known as ‘Individual’s Expected Realizable Value’. (IERV) This technique provides a sound basis for planning and controlling human resources.

3. Management audit.

Management audit can be defined as an independent and critical evaluation of the total managerial process. It records the deviations from the principles and practices of effective management at different levels of organization. Then the impact of these deviations on the organization and on end results is noted.

Advantages of management audit.

- No well-defined principles and procedures are available.
- There is shortage of well-qualified management auditors.
- Absence of an objective and independent approach to the audit.

4. Responsibility accounting.

In this technique, costs are accumulated and reported by levels of responsibility. Accounting statements are created for all levels of management. These statements are designed for the operating people, to control their operations and costs. Responsibility Accounting classifies organizational management into responsibility centres. A responsibility centre is an organizational segments such as division, department or section led by a manager who is responsible for specified targets of performance. *There are four types of responsibility canters:*

- **Cost centre:** A cost centre measures financial performance by noting whether the assigned tasks are done within the planned expense amount.
- **Profit centre:** A profit centre measures the financial performance according to the achieved budgeted profit.
- **Revenue centre:** The revenue centre measures the financial performance by noting if the specific segment has achieved the budgeted levels of sales revenue.
- **Investment centre:** In the investment centre a manager is held responsible for effective use of invested capital or for the planned return on investment.

5. Network techniques: PERT and CPM.

Network techniques are recent developments applied in management planning and control of an organization. Programme Evaluation and Review Technique (PERT) and Critical Path Method (CPM) are the two most popular network techniques. PERT technique is used to solve the problem which crops up once or a few times. It is not useful in tackling the problems which comes up continuously. CPM technique is concentrate on cost rather on cost rather than duration.

6. Production Planning and Control.(PPC)

Production planning and control is a yardstick which helps to overcome problems of modern production. In other words, it refers to a decision with regard to quantity, quality and time of production and it helps in the control of the entire production process.

Elements of Production Planning and Control.

(a). Pre-Planning function.

Pre-Planning function, it includes the functions of Forecasting the demand and volume sales, determining the quantity of production, lying out of plans, materials management, research and development and internal transport planning.

(b). Regulatory function.

Regulatory functions, it includes routing, scheduling, dispatching and Follow – up.

(c). Control function.

Control function, it includes inspection and evaluation.

7. Management Information System.(MIS)

Relevant information is collected and transferred to all the persons who are responsible to take decisions. A communications system is developed through which all levels of persons are informed about the growth of the organization. Whenever the deviation is found, the corrective or control action is taken by the responsible person. The management information system emphasizes the need for adequate information in time for taking the best decision. Thus, management information system helps the management in managerial decision-making by giving the right information at the right time and the right form.

8. External Audit Control.

External audit control is a must to all the joint stock companies under the purview of statutory control. The external auditor certifies that all the books of accounts are kept as per the requirements of law and supplies all the necessary information for the purpose of audit and the balance sheet presents a true and fair view.

9. Information Technology in Organizational Control.

The advent of computers has revolutionized the management process. Today, organizations can manage the actions of employees and processes by implementing certain software systems in their premises. Let us look at few such examples.

- IT has enabled easy authentication. With the aid of digital signatures, smart cards, biometric data, and a combination of user names and passwords, the management can validate the credentials of a person, process, or device.
- There are certain IT programmes that authorize a person or a device access certain information.
- Access control has become more fool-proof due to the presence of IT mechanism that limits access to certain information based on a user's identity and membership in various predefined groups.
- Newer IT software act as tools for the management in detecting, understanding, and recovering from security breaches.
- There are certain integrity tools that enable the management in determining whether unauthorized changes have been made to a system.

10. Standing Orders.

Standing orders covers rules and regulations, discipline, procedure and the like. Rules and regulations are framed according to the requirements of administration. For example, no employee should leave the office before office time without getting prior permission in writing.

5.6 REQUIREMENTS OF EFFECTIVE CONTROL SYSTEM.

There are certain requirements of effective control systems. They are briefly explained below:

(a). Feedback.

(b). Objective.

(c). Suitability.

(d). Prompt Reporting.

(e). Forward Looking.

(f). Flexible.

(g). Economy.

(h). Acceptability.

(i). Suggest Remedial Action

(j). Motivation.

(k). Controls generate accurate data and information.

(L).Timeliness.

(M). Integration.

(a). Feedback.

Feedback is the process of adjusting future actions based upon the information regarding past performance. If feedback practice is followed by the management, the control process will be very easy.

(b). Objective.

Control should be objective. It means there is a certainty of control. The impartial appraisal of performance is necessary for certainty of control.

(c). Suitability.

The control should be objective. It means there I a certainty of control. The impartial appraisal of performance is necessary for certainty of control.

(d). Prompt Reporting.

The deviations from standards should be informed without any delay. If there is any delay caused, exercising control will be of no use.

(e). Forward Looking.

Effective control system must focus how the future actions will conform to plans. In other words, the control system should provide an aid in planning.

(f). Flexible.

The standards or criteria should be altered from time to time. The reason is that the standards should conform to present requirements. Hence, the control system should be flexible in accordance with the changed standards or criteria.

(g). Economy.

The benefits derived from the control system should be more than the cost of exercising such a control system.

(h). Acceptability.

Controls should be such that all people who are affected by it are able to understand them fully and accept them. A control system that is difficult to understand can cause unnecessary mistakes and frustration and may be resented by workers. Accordingly, employees must agree that such controls are necessary and appropriate and will not have any negative effects on their efforts to achieve their personal as well as organizational goals.

(i). Suggest Remedial Action.

The effective controls system should disclose the places of failure, persons for failure and how they have been dealt with.

(j). Motivation.

A good control system should be employee centered. The control is designed to secure positive reactions from employees. If large deviations are found, the employees will be properly directed and guided instead of being punished. The very purpose of control is prevention and not punishing.

(k). Controls generate accurate data and information.

Accurate information is essential for effective managerial decisions. Inaccurate controls would divert management efforts and energies on problems that do not exist or have a low priority and would fail to alert managers to serious problems that do require attention

(L).Timeliness.

There are many problems that require immediate attention. If information about such problems does not reach management in a timely manner, then such information may become useless and damage may occur. Accordingly controls must ensure that information reaches the decision makers when they need it so that a meaningful response can follow.

(M). Integration.

When the controls are consistent with corporate values and culture, they work in harmony with organizational policies and hence are easier to enforce. These controls become an integrated part of the organizational environment and thus become effective.

REVIEW QUESTIONS.

PART - A

1. Define Control?
2. What are the Charactertics of Control?.
3. What is the importance of Leadership?
4. What is Budget?
5. Write some objectives of Budgetary Control?

6. What is Direct Labour Budget?
7. Define Zero Base Budgets.
8. Define Cash Budget.
9. Define Responsibility accounting.
10. What is a Quality standard?
11. Define Productivity
12. What is Return on investment?
13. List out types of Deviation.
14. Define Preserving Control
15. What is PERT and CPM?
16. Define Break- Even Analysis
17. Define Internal Audit.
18. Define Standard Costing.
19. Define Human Resource Accounting.
20. What is PPC?
21. What is MIS?
22. Define Standing Orders.

PART – B

1. State the Importance of Controlling.
2. State the Types of Budgets.
3. List out a Steps in Control Process.
4. State the Elements of Production Planning and Controlling.
5. State the Types of Managerial Control.
6. State the Types of Modern Controlling Methods.
7. State the Types of Non-Budgetary Controlling Methods..
8. State the types of Traditional Controlling Methods.
9. State the Human Resource Accounting.

PART – C

1. Discuss the different Types of Traditional Controlling Methods
2. Discuss in detail about different types of Modern Controlling Methods.
3. Elucidate the stages different types of Controlling Methods.
4. Discuss the requirements of Effective Controlling System.

DIRECTING

MOTIVATION

Management is the art of getting things done by others. Getting work done is a difficult task. It is related to human behaviour. The success of any organization depends upon the behaviour and interest of the employees. The organizational goals are achieved through the right direction of human behaviour in a desired manner. Before guiding or directing the employees, the reasons for such behaviour should be identified. The management can strategically motivate the employees based on such reasons.

Motivation is the process of inducing and instigating the subordinates to put in their best. Motivation is influenced significantly by the needs of person and the extent to which these have been fulfilled. To motivate the subordinates, the manager must therefore understand their needs. The term motivation has been derived from the word Motive. Motive is the urge, need, want, or desire that induces a person to work.

4.8 DEFINITION

Koontz and O'Donnell defines the motivation, " Motivation is a general term applying to entire class of derives, needs, wishes and similar forces that induce an individual or a group of people to work"

Robert Dubin defines motivation, "as the complex of forces standing and keeping a person at work in an organization"

Scott defines motivation, "Motivation means a process of stimulating people to action to accomplish desired goals"

4.9 NATURE or CHARACTERTICS OF MOTIVATION.

Motivation is concerned with the direction of functions of management. So the nature of motivation can be understood from the following points:

(a). Motivation is a Psychological Concept.

The needs of person influence his behaviour. A subordinate, whose needs have been fully satisfied, feels mentally relieved. The quantum of tangible benefits provided.

(**b). Motivation is a internal feeling.**

Motivation refers to a feeling within individuals that directs them to act in certain ways.

(c). Motivation produced goal oriented behaviour.

Motivation has a profound influence on human behaviour. It directs human behaviour. It also directs human behaviour towards the goals.

(d). Motivation may be financial or non-financial.

The motivation may be divided into two i.e., financial and non-financial. Financial motivation includes increasing wages, allowances, bonous, perquisites and the like. Non-financial motivation includes recognition, praise, giving more responsibility and inducing to participate in the decision-making process.

(e). Motivation is a continuous process.

Human needs are infinite. The feeling of needs is a continuous and unending process. So, motivation cannot be a time bound process. It is a continuous process of satisfying the unending needs of the employees.

(f). Unifying force.

Unifying force means the drive to actualize one's own image. The persons self image plays an important role in motivation. If an individual has created an image as a leader, he acts accordingly. So, the unifying force is an important motivating force.

4.10 IMPORTANCE OR NEED FOR MOTIVATION.

- Improves the efficiency of operation through proper motivation of techniques.
- Reduce labour turnover and absenteeism.
- Proper utilization of human resources.
- Building of Good labour relations.
- Availability of right personnel.
- Basis of Co-operation and Co-ordination.
- Helps in realizing organizational goals.
- Improvement upon skills and knowledge.

4.11 TYPES OF MOTIVATION.

The following are some of the types of motivation:

(a). Positive Motivation.

(b). Negative Motivation.

(c). Intrinsic Motivation.

(d). Financial Motivation.

(e). Non- Financial Motivation.

(a). Positive Motivation.

Positive motivation involves proper recognition of employee's efforts and appreciation of employee contribution towards the goal achievements. Positive motivation such as increase salary, bonous, participation in decision making process, pride and delegation of authority and responsibility.

(b). Negative Motivation.

Negative motivation is based on force or fears if the worker fails to complete the work, they may be threatened with demotion, dismissed, lay off, pay cut etc.

(c). Positive Motivation.

Intrinsic motivation is available at the time of performance of work. These motivations provide a satisfaction during the performance of the work itself. Intrinsic motivation such as praise, recognition, power, delegation of authority and responsibility, participation in decision making process etc.

(d). Financial Motivation.

Financial motivation represent monetary benefits to employees. Monetary benefits such as increase in salary, bonus, profit sharing, vacation pay, freemedical services , retirement benefits and insurance are some example of financial motivation. Money has become a powerful motivator not only to satisfy the physical needs but also of obtaining social position and power. Financial motivation further classified as individual financial motivation and collective financial motivation.

(e). Non - Financial Motivation.

These motivations are given to persons who are not satisfied by money alone. They give them psychological and emotional satisfaction. Praise, job rotation, delegation of authority and responsibility, participation in decision making process, recognition and power are some of the examples of non-financial motivation.

4.12 THEORIES OF MOTIVATION.

The theories of motivation have been grouped into two categories, viz,

Theories of Motivation.

(I). Theories associated with human needs

- 1. Maslow Need Hierarchy Theory
- 2. Douglas Mc Gregors X and Y Theory.
- 3. Herzbergs Two Factor Theory

(II). Theories associated with Expectancy of Individuals

- 1. Mc Clellands Need Theory.
- 2. Vrooms Expectancy Theory.

(I). THEORIES ASSOCIATED WITH HUMAN NEEDS.

1. Maslow's Need Hiearchy Theory.

Dr. Abraham H. Maslow classified the various needs of the human beings in a definite order. This order is widely accepted. According to Maslow, human wants are innumerable and never ending. If one want is satisfied, another want emerges in that place. The satisfied wants do not motivate the workers. Only unsatisfied wants induce the man to hard work. He classified human needs into five categories and arranged the same in a particular order as give below:

(a). Physiological Needs.

(b). Safety Needs.

(c). Social Needs.

(d). Self Actualization Needs and

(e). Esteem Needs.

(a). Physiological Needs.

The basic physiological needs are concerned with breeding, shelter, sexual gratification, clothing and so on. These needs are inherent in nature. If these are not satisfied, other needs will not emerge. These needs are a powerful motivating force than others.

(b). Safety Needs.

The safety or security needs emerge once the basic or physiological needs of a person are fulfilled. Job security is one such need. People, generally prefer secured jobs. Similarly, every employee wants to contribute to provident fund, insurance and such schemes that protect his interest particularly in his old age when he cannot work and earn.

(**c). Social Needs.**

After the above two types of needs are satisfied, social needs become an important motivator of behaviour. Social needs include, exchange of feelings and grievances, love, sociability, recognition, conversation and belongingness and human contacts.

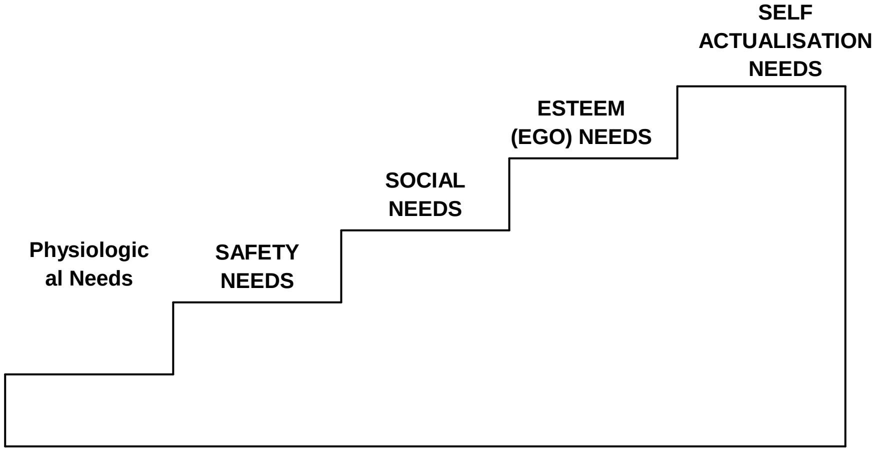
(d). Esteem Needs.

Esteem needs or ego needs encompasses the need for a positive self image and self respect and the need to be respected by others. This include for self respect, self esteem, achievement and respect from others.

(e). Self Actualization or Self Esteem Needs.

Self actualization refers to the desire to become everything that one is capable of becoming. For example, a doctor thinks that he is capable of saving the life of a patient. A teacher thinks that he is capable of giving best teaching to student. In other words, a maximum level of excellent performance is done by the individual.

MASLOW'S HIERARCHY OF NEEDS CHART



Maslow's concluded that, of the above mentioned five needs, the first three needs (Physiological needs, Safety needs and Social needs) are regarded by maslow as lower level needs. The remaining two needs (Esteem and Status needs and Self acutualization needs) are regarded as higher level needs by him. The lower level needs are satisfied through monetary and non-monetary compensation. The term non-monetary compensation includes good working conditions, love recognition, etc. The higher level needs are satisfied through allowing in decision-making process, delegating authority and responsibility, greater freedom, opportunities for advancement so on.

2. Douglas Mc Gregors X and Y Theory.

Prof. Dougles Mc Gregor has developed a set of theories on the basis of hypothesis relating to human behaviour in any organization. These theories commonly known as theory X and theory Y. A brief explanation of X theory and Y theory is given below:

'X' Theory.

Theory X is a traditional approach of management which is based on the old time honored assumptions about human behaviour. X theory regarded as the means to supervise and tight control over the subordinates, decision making are taken for top level management. Only workers are allowed to express their suggestions and emotions. X theory workers only forced to follow the orders and instructions from top level management or higher officials.

Assumptions of X theory.

- Most of people have a deep aversion to work.
- They don't want to the responsibility.
- They like to be directed by the supervisors.
- They do not have any capacity to solve organizational problems.
- They are not ambitions to improve their work and only goal is physiological and safety needs.
- They must be coerced, controlled, directed and threatened with punishment for achieving the goals.

'Y' Theory.

Y theory just opposite to X theory. Y theory considered as modern theory. According to this theory, managers attempt to develop and mature by exposing them to progressively less external control and allowing them to assume more and more self control. This theory aim at creating opportunities to sub-ordinates. Participation in decision-making process, removing obstacles, encouragement growth and providing guidance to sub-ordinates for higher output

Assumptions of 'Y' theory.

- The average human being does not dislike work. It is as natural as play or rest.
- Once the understands the purpose of job, he may extend his co-operation for job completion.
- A worker has self direction, self motivation, self discipline and self control.

- It right motivation scheme is prepared by the management, the workers is ready to accept extra responsibility.
- A worker expects recognition of the successful accomplishment of task.
- The existing worker has competence to work and can take right decisions.
- A worker can put in his best efforts for the accomplishment of enterprise objectives only.

According to Y theory, a worker has integrity and readiness to work hard. He is Willing to participate in the decision making process and show a sense of creativity and imagination. So X theory may be said to be a negative and pessimistic one and Y theory may be said to be positive and optimistic. Dougles Mc Gregors concluded that the applying the X theory and Y theory based on the nature of business and achieving the organizational goals.

3. Herzbergs Two Factor Theory.

Frederick Herzberg and his associates developed two factor theories in the late 1950 and early. The theory broad implications for management in the effective utilization of human resources. Herzberg began by interviewing approximately 200 accountants and engineers from 11 industries in pitsburg area or USA. These men were asked to recall the specific incident their experience which made them feel good or bad about their jobs.

Herzberg classified the factors influencing human needs into two categories. They are:

1. Hygiene Factors or Maintenance factors

2. Motivating Factors.

1. Hygiene Factors or Maintenance factors.

Hygiene factors essential to prevent losses in performance due to work restrictions. Hygiene factors include ten maintenance factors, which are necessary to maintain a reasonable level of satisfaction among employees. The following are the ten maintenance factors are:

- Company Policy and Administration.
- Type of supervision.
- Inter personal relationship with supervisors.
- Inter personal relationship with sub-ordinates.
- Salary.
- Job security.
- Personal Life.
- Working conditions.
- Status.

2. Motivating Factors.

Motivating factors are essential to provide job satisfaction and to maintain high job performance. These factors used to motivate employees for higher output and increase in job satisfaction. The following are the six motivating factors:

- **Achievement.**

- **Recognition.**
- **Advancement.**
- **Opportunity for growth.**
- **Responsibility.**
- **Work itself.**

Herzberg's concluded this theory efficient utilization of human resources in any organization properly maintaining two factors such as Hygiene factors and Motivating factors.

(II). THEORIES ASSOCIATED WITH EXPECTANCY OF INDIVIDUALS.

1. Mc Clelland's Need Model Thoery.

David C McClelland and his associates of Havard University proposed that the organization offers an opportunity to satisfy at least three needs, namely, the need for achievement, the need for affiliation and the need for power.

(a). Need for Power.

This is the need to dominate, influence or control people. Power speaks about the ability to control the activities of others to suit one's own purposes. People with a high need for power look for position of leadership. They like to set goals, make decisions and direct activities. In way the need for power helps in understanding managers.

(b). Need for Affiliation.

The need for affiliation is a social need for companionship and support for developing meaningful relationships with people. Persons who have a high for affiliation view the organization as a chance to form new and satisfying relationships. They are motivated by jobs that demand frequent interaction with co-workers.

(c). Need for Achievement.

This is the need for challenge for personnel accomplishment and success in competitive situations. Efficient persons provide rewards, recognition, participating in decision making process and profit sharing.

Mc Clellands concluded that nay organization to provide above said three types needs and it chances for utilizing the resources in efficient manner as well as easily achieving the organizational goals.

2. Vrooms Expectancy Theory.

V.H.room and others have worked out yet another theory of motivation, known as the expectancy theory. Vrooms theory of motivation is the sum of the product of valence, expectancy and instrumentality.

Motivation = Valence X Expectancy X Instrumentality.

(a). Valence.

Valence refers to the strength of a person's desire for a particular outcome. For example, a salesman who desires a good amount of commission from his company has to naturally achieve high sales targets. The first outcome desired by the salesmen, therefore is target attainment that leads to the second outcome namely commission. The salesmen, therefore, will be motivated to attain the sales target because of the valence for a good amount of commission.

(b). Expectancy.

The extent to which a person believes that his effort will lead to the desired performance is what is called expectancy. In the above example, attainment of a high sales target requires greater efforts on the part of the salesmen.

(c). Instrumentality.

The extent to which the first outcome (attainment of sales target in the above example) will lead to the desired second outcome (commission) is what is called instrumentality. Expectancy on the other hand is the relationship between efforts made and the first outcome.

The expectancy theory has relevance for everyone in the workplace. However, the terms used in the theory may make it difficult for a person to understand its contents and also apply it practically.

What is Communication?

The English word 'communication' is derived from the Latin communis, which means common sense. The word communication means sharing the same ideas. In other words, the transmission and interaction of facts, ideas, opinions, feelings or attitudes. Communication is the essence of management. The basic function of management (planning, planning, staffing, supervision and management) cannot be done effectively without effective communication.

Communication is a two-way process which involves transferring of information or messages from one person or group to another. This process goes on and includes a minimum of one sender and receiver to pass on the messages. These messages can either be any ideas, imagination, emotions, or thoughts.

Communication is a Latin word which means "to share". There are different modes of communication available today. These include emails, chats, WhatsApp, skype (conference calls), etc. Effective communication makes people's work easier and smooth.

COMMUNICATION AND MANAGEMENT

Mathias Mendez had recently been hired as the manager of the purchasing department of an online retailer. His appointment was announced through an e-mail to all company employees, and his department was expecting his arrival. His managers told him his first task was to try to cut costs in the department. Mathias hadn't determined exactly what to do, but he had determined that he could reach the target cuts through a combination of a freeze on new hiring, cutting all but critical travel, reducing training, and cutting back on the use of temporary and contract workers.

He was anxious to show his superiors that he was working on the problem, so he sent an e-mail to his managers and employees that said he would be announcing cost-cutting measures soon. Unfortunately, employees interpreted this to mean there would be layoffs. Rumors soon started flying about how "Matt the Knife" had been hired to outsource the department and that everyone was going to be laid off. Morale plunged and people started using their time to polish their resumes and apply for jobs. The employees distrusted Mathias and he was cut off from all but routine communication with them.

Communication and management are closely linked. Communication refers to the process by which information is exchanged between two or more people (increasingly, machines are also included in communication, but we limit the discussion here to communication between people). Each of the management roles—planning, organizing, leading, and controlling—depends on effective communication. Managers must be able to receive accurate information to determine plans, and they must be able to send accurate information for the plans to be implemented. When information is accurately sent and received, everyone in an organization can be informed. As we see in the earlier example, however, when information is misinterpreted or when incorrect information spreads, communications can create significant problems in organizations.

The Role of Communication in Management

The role of management is to accomplish the goals of an organization. To do this, managers create a plan that defines what needs to be done, when it will be done, and how it will be done. To implement the plan, managers must convey this information to everyone in the organization. That is, they must communicate the plan to members of the organization. However, managers need to do much more than just inform people what they need to do to support the plan. They also must motivate people to support the plan, build commitment to the organization, establish rapport and collaboration, and keep everyone informed of events and actions that affect the organization. Good communication not only informs but also helps to create a culture that makes people feel like they belong to and want to support the organization.

The opening example shows what can result from poor communication. Following are some of the benefits of effective communication.

- Provides clarity. Confusion, uncertainty, and ambiguity make people uncomfortable and uncooperative. Making roles, responsibilities, and relationships clear gives everyone the information they need to do their jobs and to understand their contributions to the organization. Effective communication reduces the cost associated with conflicts, misunderstandings, and mistakes.

- Builds Relationships. A culture that promotes open communication reduces tension between hierarchical levels of employees, both professionally and socially. In a trusting and collaborative culture, people are more likely to seek help with problems and to suggest solutions and improvements. Effective communication creates a collegial culture that fosters teamwork and encourages cooperation.

- Creates commitment. Effective communication involves not only sending information but also receiving it. By listening to employees' concerns, allowing them to have input on their work and their workplace, and giving consideration to their suggestions, managers can make everyone in the organization feel like they are valued contributors. When employees feel like they are valued in the organization, they will likely be more engaged and motivated. Effective communication creates support and commitment.

- Defines expectations. When people are uncertain about what is expected of them and how they will be evaluated, they can't do their jobs well. Performance reviews are difficult because the employee does not know the performance standards they are expected to meet. And if corrective measures are necessary, the employee may be resentful if he can't see how his behaviors reduced his effectiveness. When expectations and standards are clear, employees know what they need to do to get a positive review and the benefits that come with it.

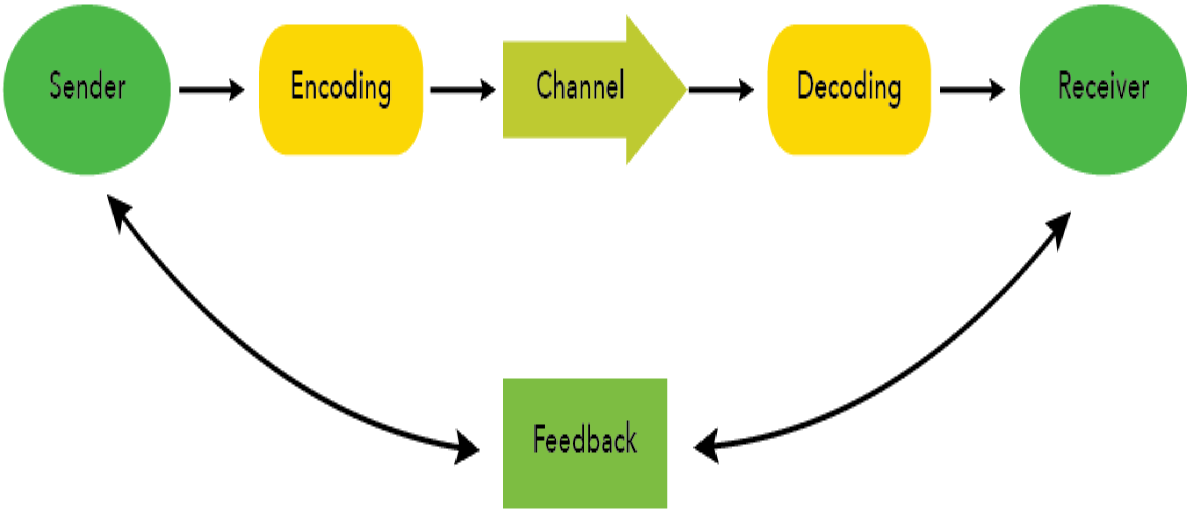
These are just a few of the many benefits that come from effective communications. Managers can only reach organizational goals when the people in the organization are committed to the goals. People perform much better when they are informed and involved.

The Communication-Process Model

The communication process may seem simple: one person sends a message and others receive it.

The process becomes more complex, however, because the information in the message must be sent and received accurately. The communication-process model describes how the information is sent and received.

The following diagram shows this model.



The communication-process model.

It is easiest to understand the model when one person is communicating with another person. The person initiating the communication, the sender, has information he wants the other person, the receiver, to know. However, before it can be sent, the information has to be encoded into a form that can be transmitted. In a simple case, the information is put into words spoken to the receiver. Or the information may be converted into printed text, tables, charts, or graphs given to the receiver. In a more complicated case, the information is encoded into words or images that are then converted into electronic signals sent to the receiver. The channel is the medium through which the information is conveyed. It could be air conveying sound waves, paper conveying text and images, or wires or magnetic fields conveying electronic signals. (We will discuss channels in more detail later in this module.) In the opening example, the management had information that Mathias had been hired and when he would start. They wanted the employees in the company to have that information so they put it in a message and sent it to employees.

The receiver reverses the process. She receives the encoded message and then decodes it. That means she converts the message back into information that can be understood. In the opening example, an employee reads the message and knows who has been hired and when he will start. Information has been transferred from managers to employees. In an interactive communication process, the receiver can send feedback to the sender to indicate that the message has been received and how it has been interpreted. This can start an interactive back-and-forth exchange that can assure the sender that the message has been received and understood correctly.

The two-person model can be generalized to the case of one person communicating with many others. It could be a person making a presentation to a roomful of people, a manager sending an e-mail to employees, a Facebook post to friends, or a tweet to hundreds of followers.

Communication Process

Communication is an ongoing process that mainly involves three components namely. sender, message, and recipient. The components involved in the communication process are described below in detail:

1. **Sender:**

   The sender or contact generates the message and transmits it to the recipient. He is the source and the first contact

2. **Message:**

   It is an idea, knowledge, opinion, truth, feeling, etc. produced by the sender and intended for reference.

3. **Encoding:**

   The message produced by the sender is encrypted in a symbolic way such as words, pictures, touches, etc. before transfer.

4. **The media:**

   This is how the coded message is conveyed. The message can be conveyed orally or in writing.

5. **Recording:**

   It is a process of modifying the signals sent by the sender. After recording the message is received by the recipient.

6. **Recipient:**

You are the last person in the chain and the message you sent was sent. If the recipient receives the message and understands it correctly and acts on the message, only then the purpose of the communication is achieved.

7. Answer:

Once the recipient confirms to the sender that you received the message and understood it, the communication process is complete.

8. Noise:

Refers to any restrictions caused by the sender, message or recipient during the communication process. For example, incorrect telephone connection, incorrect coding, incorrect recording, careless recipient, incorrect understanding of message due to discrimination or inappropriate touch, etc.

Types of Communication

Verbal Communication and Non-Communication

- **Verbal communication:**

  Communication occurs through verbal, verbal or written communication that conveys or conveys a message to others is called oral communication. Verbal communication is the use of language to convey information verbally or in sign language.Verbal communication is important because it works well. It can be helpful to support verbal Non-verbal communication Any non-verbal communication, spoken words, conversation and written language is called.

- **Non-verbal communication:**

  It occurs with signs, symbols, colors, touches, body or facial features. Insignificant communication is using body language, body language and facial expressions to convey information to others. It can be used both intentionally and deliberately. For example, you may have a smile on your face when you hear an idea or a piece of interesting or exciting information. Open communication is helpful when you are trying to understand the thoughts and feelings of others.

Mode Of Communication

- **Formal Communication:**

  Formal Communication refers to communication that takes place through legal channels in an organization. That kind of communication takes place between managers or employees of the same class or between high and low and vice versa. It may be oral or written but a complete record of that communication is kept in the organization.

- **Informal Communication:**

  Informal communication is defined as any communication that occurs outside of the official channels of communication. Informal communication is often referred to as the 'vine' as it spreads throughout the organization and on all sides regardless of the level of authority.

Few Communication Barriers

One sometimes wants to connect with one thing, but he is actually saying something else that he did not intend. This type of event in communication behaviour is known as the "Arc of Distortion". The distortion may be the result of some error in any of the communication channels. These barriers to communication are also known as "barriers".

Some of the barriers to communication:

- Lack of proper style, feedback.
- Content is not related to customer requirements.
- Failure to maintain dual communication.
- Bad weather.
- Lack of horizontal flow of ideas.
- Availability of technical coordinators.
- Semantic Problems.
- Lack of leadership.
- Lack of enthusiasm.
- Lack of support from heads of institutions.

Importance of Communication

1. **Communication Foundation:**

   The manager explains to the employees the goals of the organization, the methods of their success and the interpersonal relationships between them. This provides communication between the various staff and departments. Therefore, communication serves as the basis for collaboration in the organization.

2. **Functional:**

The manager coordinates the individual and physical aspects of the organization in order to run it efficiently and effectively. This integration is not possible without proper communication.

3. **The Basis for Making Decisions:**

Good communication provides information to the manager that helps them make decisions. No decisions could have been made without knowledge. Thus, communication is the basis for making the right decisions.

4. **Improves Management Ability:**

The manager transfers targets and issues instructions and assigns tasks to subordinates. All of these factors are involved.

Importance of Communication

Communication plays a vital part in building up a strong relationship across the world, either in organisational structure or outside of it. It is an essential pillar for people in sharing the ideas, delegating responsibilities, management of a team, building up a healthy relationship, etc. Effective communication is necessary for managers in the organisation for planning, organising, leading and controlling. Managers of the organisation are dedicated enough in communicating throughout the day in various tasks performances. They spent the whole time communicating face-to-face or over the phone to their colleagues, subordinates and the clients. Managers also use written communication in the form of Emails, memos, daily reports and so on. Effective communication is a successful building block of the organisational structure.

Here The Importance of Communication Can Be Briefed As Follows

- Good communication encourages motivational skills.
- It is a mode of information in the decision-making process.
- Communication emphasises socialising within or outside the organisational structure.
- It helps in controlling the process. Employees have to follow the organisation rule, code of conduct and other company policies.

Types of Communication

There are four types of communication. It is categorised into verbal, non-verbal, written and visual.

Verbal

Verbal communication is one of the modes where people communicate or transfer information through words. It is one of the common and usual types and frequently used during one on one presentations, video calls or conferences, meetings, phone calls etc.

There Are Certain Measures Which Enhance This More Effectively

- **Firm and Confident Voice:**

  Firm and confident communication reflects the personality of the person. It gives more certainty of completing any task. So always be confident so that your ideas are more precise and specific.

- **Active listening:**

  A good listener always tends to listen to everyone’s perspective or viewpoints. Active listening helps in identifying each one’s problem or thoughts in a more clear way.

- **Ignore Filler Words:**

  While giving a presentation, avoid using filler words such as yeah, like, so, etc. It might be distracting to your audiences. Try not to use them in official conferences or meetings.

Non-Verbal

Non-verbal communication is the use of body language. It includes body gestures, facial expression, and shaking hands, etc.. For example: How you sit during an interview automatically reflects your body language. If they are indicating closed body language like closed arms, bent shoulders, shaking legs, etc., they might be nervous, low in confidence, surrounded with anxiety, etc. Non-verbal communication is the most powerful communication to understand others’ thoughts and emotions.

Here are Certain Categories Where Non-Verbal Communication are Briefed Up

- Positive Body Language: Always carry a positive body language where you can carry your confidence for performing any task. This type of communication gives support to your verbal talks and makes you more open to any kind of jobs.

- Imitate non-verbal communication you find useful: Some facial expression or body language can be found helpful in an interview. If an interviewer has positively nodded his head, it gives a clear positive sign in a closed way, i.e. non-verbal communication.

Written

It is the form of communication that involves writing, typing and printing symbols, letters, etc. It is used in Emails, chats, etc. which are the common techniques of using it in the workplace. Whereas it also furnishes a record of all docs in one place and keeps a systematic account of it.

Here Are Certain Categories Where Written Communication is Briefed Up

- **Aim for Simplicity:**

  Any type of written communications should be in a simple format and clear. It helps audiences to understand and provides more transparency on information which you're providing.

- **Reviewing:**

  Whenever you're writing, always review your emails, letters or memos before sending it. Reviewing helps to find the mistakes or opportunities to present something distinct.

- **Be Careful of Written Tone:**

  Since this is not a mode of verbal or non-verbal communication, always be cautious and have a polite tone while writing.

- **Keep the Written Files if You Find it Useful:**

  If you received the memo or email which you're finding helpful or interesting, you could save that template for further references to use it in future writing for improving your written communication.

Visual

Visualizing is a form of communication where one can use photographs, drawing charts and graphs to convey information through it. It helps in furnishing the right information through graphics and visuals during office presentation (along with verbal and written).

Here are Certain Steps Which Help in Visual Communication Skills

- **Taking Advice Before Going with Visuals:**

  Visual communication includes presentation or emails. Always ask for other's advice if any mistake can be rectified.

- **Targeting Audience:**

  Always put those visuals in presentation or emails that can be understood by everyone quickly. If you are giving a presentation on any data or chart which is not familiar to the audience, you need to explain it clearly. There shouldn't be any usage of offensive visuals.

Barriers in Communication

There are certain barriers which create hindrance in building up communication over the time period.

1. Personal Barriers:

Communication takes place between receiver and sender. It's a two-way process which should be clear. In case message formation went wrong, it gives a wrong and unclear message to the recipient. The receiver might get the wrong perspective while receiving a message. Therefore the message should be written effortlessly.

2.Systematic Barrier:

If any machine or electronic errors occur by any means or in any unforeseen situation, it may affect the importance of communication.

3. Physical Barriers:

Distance: Physical separation between individuals or teams, especially in a globalized or geographically dispersed organization, can hinder face-to-face communication.

Noise: Environmental factors such as loud surroundings, poor acoustics, or interruptions can disrupt communication.

4. Cultural Barriers:

- **Cultural Differences:** Divergent cultural norms, values, and communication styles can lead to misunderstandings.
- **Language Barriers:** Not just differences in languages but variations in dialects, accents, and idioms can create communication challenges.

5. Psychological Barriers:

- **Lack of Trust:** Mistrust among team members or between management and employees can impede open and honest communication.
- **Resistance to Change:** Employees resistant to change may resist or misinterpret communication related to new processes or procedures.

6. Semantic Barriers:

- **Semantics and Jargon:** The use of technical terms, industry jargon, or ambiguous language can cause confusion, especially if the audience is not familiar with the terminology.

7. Perceptual Barriers:

- **Selective Perception:** People often interpret messages based on their own beliefs and experiences, leading to selective attention and perception.
- **Stereotypes:** Preconceived notions and stereotypes can affect how a message is received and understood.

8. Personal Barriers (Continued):

- **Ego and Pride:** Individuals with inflated egos may not listen to others or may dismiss their viewpoints, hindering effective communication.
- **Lack of Attention:** Distractions, multitasking, or preoccupation can lead to inattentiveness and poor understanding of the message.

9. Social Barriers:

- **Hierarchy:** Strict organizational hierarchies can discourage lower-level employees from expressing their opinions or ideas.
- **Gender and Diversity Issues:** In some cases, gender or cultural diversity can lead to communication challenges if not managed effectively.

10. Temporal Barriers:

- **Timing Issues:** Sending or receiving information at an inconvenient time can impact the effectiveness of communication.
- **Deadline Pressure:** High-pressure situations and tight deadlines may lead to rushed or incomplete communication.

Overcoming these Barriers:

- **Cultural Sensitivity Training:** Provide training to enhance awareness and understanding of diverse cultures.
- **Effective Listening Skills:** Encourage active listening to comprehend messages accurately.
- **Regular Feedback Mechanisms:** Establish systems for regular feedback to ensure the message's clarity.
- **Use of Multiple Communication Channels:** Employ various communication tools and channels to cater to different preferences and needs.

Flow of Communication

An organisation follows the five flow of communications:

- **Downward Flow:**

  In this, communication flows from the higher level to lower level, i.e. communication carried out by the head of the organisation to the subordinates like providing feedback, giving job instructions etc.

- **Upward Flow:**

  Communication which flows to the higher level of the organisation is upward communication. Subordinates use upward flow to transfer their grievances and performances to their seniors.

- **Lateral/Horizontal Communication:**

  It takes place where communication happens between the same level of the hierarchy that is communication between colleagues, managers or between any horizontally equivalent members of the organisation. It benefits employees to perform coordination among the tasks, time-saving, solving problems of employees of other departments or conflicts within the department.

- **Diagonal Communication:**

  Communication which takes place between the manager and employee of other work departments is known as diagonal communication.

- **External Communication:**

  Communication which takes place between the manager and external group likes vendors, suppliers, banks, financial institutions and many more. For example, the Managing Director would be meeting with the bank manager to get the bank loan or some other financial work.

LEADERSHIP

INTRODUCTION

Success of any business concern is dependent upon the ability of its leadership. Leadership exists in any type of organization. Managers must exercise all the functions of their role in order to combine human and managerial resources to achieve organizational objectives. Even a sick unit could be made a successful one by a good leader. Leadership is essential for the success of any business unit. The success of French coal company, a sick unit under the leadership of Henry Fayol is a classic example in this regard.

According to Peter Drucker, leadership is a characteristic of an individual. The history of the world has been made by able leaders like Nepoleon, Henry Ford of America, Winston Churchil, Mahatma Gandhi and so on. In the business world, leaders ford (General Motor Company, USA), Tata, Birla, Dalmia, Mafatlal, T.V.S, Nirma, Saravana Stores, Pothis, RMKV and soon have played a predominant role.

4.2 DEFINITION

Leadership is the ability to build up confidence and zeal among people and to create an urge in them to be led. To be a successful leader, a manager must possess the qualities of foresight, drive, initiative, self-confidence and personal integrity. Different situations may demand different types of leadership.

According to Koontz and o' Donnel**,** "Leadership is the ability of a manager to induce subordinates to work with confidence and zeal".

According to George R Terry, "Leadership is the activity of influencing people to strive willingly for group objectives".

4.3 NATURE OR CHARACTERTICS OF LEADERSHIP

(a). Leadership is the process of influencing.

A leader by exercising his leadership tries to influence the behaviour of individuals to carry out his whishes and accept his advice, guidance and direction towards the achievement of pre-determined goals.

(b). Leadership is power based.

Leadership is a power or authority based process. Leaders need adequate power and authority to influence the followers to lead the group.

(c). Leadership is the ability to inspire or stimulate.

Leadership is the function to motivate people to strive willingly to attain organizational goals.

(d). Leadership is a continuous Process.

The presence of leader is always necessary in an organization. The subordinates need to be guided, influenced, controlled and induced to work continuously for the attainment of the organizational goals.

(e). Leadership provides satisfaction of members.

A good leader tries to solve the problems of his followers. A good leader shares everything with his followers. So, they are best serve in these interests of the organization.

4.4 NEED OR IMPORTANCE OF LEADERSHIP

- Perfect organization structure.
- Directing group activities.
- Technological, economic and social changes.
- Better utilization of manpower.
- Avoiding imbalance.
- Source of motivation.
- Developing human relations.
- Promoting the spirit of co-ordination.
- Fulfilling social responsibilities.

4.5 LEADERSHIP STYLES.

The leadership styles can be classified according to the philosophy of the leaders. What the leader does determines how well he leads. A style of leadership is a ‘relatively enduring set of behaviours which is a characteristic of the individuals, regardless of the situation.’ Some of the more significant leadership styles are discussed as follows:

1. Autocratic or Dictatorial Leadership Style.

2. Democratic or Participative Leadership Style.

3. Free Rein or Laiseez Faire Style.

4. Functional Leadership Style.

5. Institutional Leadership Style.

6. Paternalistic Leadership Style.

1. Autocratic or Dictatorial Leadership Style.

An autocratic leader centralizes decision making power in himself. He designs the work load of his employees and exercises tight control over them. The subordinates are bound to follow his orders and directions. No suggestions or initiative from subordinates is entertained. The leader forces the subordinates to obey him without questioning.. People have little freedom working under him. He shows greater concern for work than for his workers.

Merits.

- The style of leadership permits quick decisions and it is effective in a crisis or emergency situation.
- It provides strong motivation and reward to a manager exercising this leadership.
- The style of leadership is useful when the subordinates are not interested in seeking responsibility or when they feel insecure at the job or when they work better under clear and detailed directives.
- It is useful when the chain of command and the division of work is clear and understood by all and there is little room for error in the final accomplishment.

Demerits.

- One way communication without feedback leads to misunderstanding and communications breakdown and also conflict, frustration and low morale arise easily.

2. Democratic or Participative Leadership Style.

In democratic leadership style, a manager decentralizes and delegates his authority to his subordinates. He makes a final decision only after consultation with the subordinates;

he defines the limits within which people can function. Democratic leaders have a high concern for both people and work.

Merits.

- The managers by including subordinates in the decision making process can make better decisions.
- As the subordinates are consulted and trusted, a positive relationship is developed between the follower and the leaders.
- Democratic leadership style helps to motivate employees and improve upon their morale and provide organizational stability.

Demerits.

- It is a time consuming process. Leaders find it difficult to provide an atmosphere to the subordinates to participate actively in the decision making process.

3. Free Rein or Laiseez Faire Style.

Under this type of leadership, maximum freedom is allowed to subordinates. They are given free hand in deciding their own policies and methods and to make independent decisions. The leader provides help only when required by his subordinates otherwise he does not interfere in their work. The style of leadership creates self-confidence in the workers and provides them an opportunity to develop their talents

Merits.

- It creates an environment of freedom, individuality, as well as team spirit.
- It is highly creative with a free and informal work environment.
- This approach is very useful where people are highly motivated and achievement oriented.

Demerits.

- No control and co-ordination, Insecurity and frustration may develop due to lack of specific decision-making authority and guidance.

4. Functional Leadership Style.

A functional leader is one who is an expert in a particular field of activity. He has risen to the position of a leader by virtue of certain special skills that he possesses. He does not command any formal authority. Such leadership style always thinks of the task he has undertaken and spends most of his time finding out ways and means of doing it better.

Merits.

- As the functional leader is a specialist in a particular field of activity the subordinates can certainly enrich their job knowledge and skill provided they are as committed and sincere as their leader is.

Demerits.

- The functional leader is a taskmaster. He only believes in work. If only the subordinate is very efficient, he will be able to put up with such a leader.

5. Institutional Leadership Style.

When a person becomes a leader by virtue of his position, he is called an institutional leader. The principal of a college, Managing Director of a company, President of an institution, etc., is examples of institutional leaders.

Merits.

- He has official authority to act.
- He can demand performance from subordinates irrespective of his own credentials and the subordinates are officially answerable to him. He may initiate action against a subordinate who is shirking duties.

Demerits.

- As the institutional leader may not be an expert in his field of activity, he will not be in a position to offer proper guidance to his followers.

6. Paternalistic Leadership Style.

A paternalistic leader takes care of his followers in the way the head of a family takes care of the family members. He is mainly concerned with the well being of his followers and is always ready to protect them. He may provide them with all the physical amenities needed. But he will not be able to guide them to perform their job well. Example Trade Union Leader, Political Party Leader.

Merits.

- He assumes a paternal role to protect his followers or members of group.
- He is always ready to provide the necessary physical amenities to the subordinates.

Demerits.

- He is not in a position to offer intellectual help to his followers.

4.6 QUALITIES OF A GOOD LEADERSHIP OR PERSONAL CHARACTERISTICS OF LEADERS.

Leadership is an intangible quality and its effectiveness can best be judged by the behaviour and attitudes of followers. Even though personal backgrounds and personalities differ widely, some of the factors such as education and socio-economic status are poor indicators of judgments of successful leaders. However, some behavioral characteristics may be common to most of the successful and effective leaders. Some of these characteristics are as follows:

(a). Physical appearance and strength.

The leader has to put in hard work physically. He should have a capacity to work for long hours than others. It proves the diligence of the leader to his followers easily.

(b). Ability to inspire others.

This ability may be due to an internal 'charisma' which is an inborn trait and may not be a learnable factor.

(c). Problem solving skills.

An effective leader has developed the patience and ability to look at the problem from various angles and get down to the cause of the problem and he tries to solve the problem from its roots rather than the symptoms of the problem.

(d). Emotional maturity.

Emotional stability and maturity is a major ingredient for effective leadership. It pertains to good adjustment to life, calm, cool and calculated reaction to undesirable situations and obstacles and normal acceptance of success as well as failure.

(e). Goodwill.

A leader should be able to understand the feelings of others. He takes decision on the basis of expectations of his followers. If he does not do so, he will not win the goodwill of his followers.

(f). Ability to understand human behaviour.

A leader must understand the needs, desires and behaviour of his subordinates and show respect for such desires. He is emotionally supportive and is careful enough to avoid ego threatening behaviour. He must give credit to subordinates when their efforts are successful.

(g). Verbal assertiveness.

A leader must be an effective orator and must be confident of his views and opinions. He must communicate his views honestly and in a straight forward manner without fear of consequences.

(h). Willingness to take risks.

Routine work, no matter how well-done, never makes a leader. Successful leaders always charter the unknown. They must accept and seek new challenges. However, the risks must be calculated ones and outcomes of actions be reasonably predicted.

(i). Dedication to organizational goals.

A leader must demonstrate his dedication and commitment to the organization’s mission, goals and objectives by hard work and self-sacrifice. He must make sure that his followers fully understand the organizational objectives and are equally dedicated and willing to work for these objectives.

(j). Skill in the art of compromise.

Setting differences is a valid part of leadership and genuine differences must be solved by compromise and consensus. This will induce faith in the fairness of the leader. He must be willing to give in where necessary and must be able to take criticism with grace. However, he must not compromise for the sake of compromising or just smooth sailing only and must be willing to take a stand on controversial issues and accept the consequences of his stand.

(k). Technical Knowledge.

A good leader should possess a thorough knowledge of the theory and practice of his job. Besides, he should know the current developments in his job along with technical knowledge. Example, a computer department manager should know all the latest developments in computers.

(l). Sociability.

An able leader can easily mingle with the other workers. The workers should be encouraged to discuss their problems and difficulties with their boss. The leader should also meet the workers frequently. The leader should show his keen interest to develop the ability of workers.

(**m). Mental Vigour.**

The leader is also strong mentally. It means that the leader is expected to withstand strain in finishing the work properly.

COORDINATION MEANING

Coordination is the function of management which ensures that different departments and groups work in sync. Therefore, there is unity of action among the employees, groups, and departments.

It also brings harmony in carrying out the different tasks and activities to achieve the organization's objectives efficiently. Coordination is an important aspect of any group effort. When an individual is working, there is no need for coordination.

Therefore, we can say that the coordination function is an orderly arrangement of efforts providing unity of action in pursuance of a common goal. In an organization, all the departments must operate a part of a cohesive unit to optimize performance.

Coordination implies synchronization of various efforts of different departments to reduce conflict. Multiple departments usually perform the work for which an organization exists.

Therefore, synchronization between them is essential. Lacking coordination, departments might work in different directions or at different timings, creating chaos.

Common definitions of the coordination function

Mooney and Reiley – 'Coordination is an orderly arrangement of group efforts to provide unity of action in the pursuit of common goals.'

Charles Worth – 'Coordination is the integration of several parts into an orderly hole to achieve the purpose of understanding.'

Brech – 'Coordination is balancing and keeping together the team by ensuring suitable allocation of tasks to the various members and seeing that the tasks are performed with the harmony among the members themselves.'

Mary Parker Follett – 'The first test of a business administration should be whether you have a business with all its parts so coordinated, so moving together in their closely knit and adjusting activities, so linking, inter-locking, inter-relating, that they make a working unit that is not congenic of separate pieces, but a functional whole or integrated unit.'

Features of coordination

Coordination is the integration, unification, synchronization of the efforts of the departments to provide unity of action for pursuing common goals. A force that binds all the other functions of management.

The management of an organization endeavours to achieve optimum coordination through its basic functions of planning, organizing, staffing, directing, and controlling.

Therefore, coordination is not a separate function of management because management is successful only if it can achieve harmony between different employees and departments. Here are some important features of coordination:

- It is relevant for group efforts and not for individual efforts. Coordination involves an orderly pattern of group efforts. In the case of individual efforts, since the performance of the individual does not affect the functioning of others, the need for coordination does not arise.
- It is a continuous and dynamic process. Continuous because it is achieved through the performance of different functions. Also, it is dynamic since functions can change according to the stage of work.
- Most organizations have some sort of coordination in place. However, the management can always make special efforts to improve it.

- Coordination emphasizes the unity of efforts. This involves fixing the time and manner in which the various functions are performed in the organization. This allows individuals to integrate with the overall process.
- A higher degree of coordination happens when the degree of integration in the performance of various functions increases.
- It is the responsibility of every manager in the organization. In fact, this is integral to the role of a manager because he synchronizes the efforts of his subordinates with others.

Techniques of Co-ordination:

The main techniques of effective co-ordination are as follows.

1. **Sound planning** — unity of purpose is the first essential condition of co-ordination. Therefore, the goals of the organisation and the goals of its units must be clearly defined. Planning is the ideal stage for co-ordination. Clear-cut objectives, harmonized policies and unified procedures and rules ensure uniformity of action.
2. **Simplified organisation** — a simple and sound organisation is an important means of co-ordination. The lines of authority and responsibility from top to the bottom of the organisation structure should be clearly defined. Clear-cut authority relationships help to reduce conflicts and to hold people responsible. Related activities should be grouped together in one department or unit. Too much specialization should be avoided as it tends to make every unit an end in itself.
3. **Effective communication** — open and regular communication is the key to co-ordination. Effective interchange of opinions and information helps in resolving differences and in creating mutual understanding. Personal and face-to-face contacts are the most effective means of communication and co-ordination. Committees help to promote unity of purpose and uniformity of action among different departments.
4. **Effective leadership and supervision** — effective leadership ensures co-ordination both at the planning and execution stage. A good leader can guide the activities of his subordinates in the right direction and can inspire them to pull together for the accomplishment of common objectives. Sound leadership can persuade subordinates to have identity of interest and to adopt a common outlook. Personal supervision is an important method of resolving differences of opinion.
5. **Chain of command** — authority is the supreme co-ordinating power in an organisation. Exercise of authority through the chain of command or hierarchy is the traditional means of co-ordination. Co-ordination between interdependent units can be secured by putting them under one boss.

6. **Indoctrination and incentives** — indoctrinating organisational members with the goals and mission of the organisation can transform a neutral body into a committed body. Similarly incentives may be used to create mutuality of interest and to reduce conflicts. For instance, profit-sharing is helpful in promoting team-spirit and co-operation between employers and workers.
7. **Liaison departments** — where frequent contacts between different organisational units are necessary, liaison officers may be employed. For instance, a liaison department may ensure that the production department is meeting the delivery dates and specifications promised by the sales department. Special co-ordinators may be appointed in certain cases. For instance, a project co-ordinator is appointed to co-ordinate the activities of various functionaries in a project which is to be completed within a specified period of time.
8. **General staff** — in large organisations, a centralized pool of staff experts is used for co-ordination. A common staff group serves as the clearing house of information and specialized advice to all department of the enterprise. Such general staff is very helpful in achieving inter-departmental or horizontal co-ordination. Task forces and projects teams are also useful in co-ordination.
9. **Voluntary co-ordination** — when every organisational unit appreciates the workings of related units and modifies its own functioning to suit them, there is self-co-ordination. Self-co-ordination or voluntary co-ordination is possible in a climate of dedication and mutual co-operation. It results from mutual consultation and team-spirit among the members of the organisation. However, it cannot be a substitute for the co-coordinative efforts of managers.

Principles of Co-ordination (Requisites for Effective Co-ordination)

Mary Parker Follett has laid out four principles for effective co-ordination;

- **Direct personal contact** – according to this principle co-ordination is best achieved through direct personal contact with people concerned. Direct face-to-face communication is the most effective way to convey ideas and information and to remove misunderstanding.
- **Early beginning** — co-ordination can be achieved more easily in early stages of planning and policy-making. Therefore, plans should be based on mutual consultation or participation. Integration of efforts becomes more difficult once the un co-ordinated plans are put into operation. Early co-ordination also improves the quality of plans.
- **Reciprocity** — this principle states that all factors in a given situation are interdependent and interrelated. For instance, in a group every person influences all others and is in turn influenced by others. When people appreciate the reciprocity of relations, they avoid unilateral action and co-ordination becomes easier.
- **Continuity** — co-ordination is an on-going or never-ending process rather than a once-for-all activity. It cannot be left to chance, but management has to strive constantly. Sound co-ordination is not fire-fighting, i.e., resolving conflicts as they arise.

CONTROLLING

Control is one of the most important functions of management, second, perhaps, only to the function of decision-making. Control has very broad applications in both the personal as well the as industrial world, which ensures that events turn out the way they are intended to. Control is a powerful force if applied properly. For instance, energies like nuclear power, controlled air and controlled water run machines and industries.

Control is a set of mechanisms used to evaluate organizational performance against the set standards. When deviations occur, appropriate steps are taken to correct these deviations to ensure that the organization stays on course. Success or failure of planning depends upon the result of success or failure of controlling.

5.2 DEFINITION

Knootz and O'Donnel, "Controlling is the measurement of accomplishment against the standards and the correction of deviations to assure attainment of objectives according to plans**"**

George R.Terry, "Controlling is determining what is being accomplished, that is, evaluating the performance and if necessary, applying corrective measures so that the performance takes place according to plans"

Haynes and Massie, "Control is any process that guides activity towards some pre-determined goal. The essence of the concept is in determining whether the activity is achieving the desired results"

Dalton E. Mc Farland, "The presence in a business of that force which guides it to a pre-determined objective by means of pre-determined policies and decisions"

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

5.3 CHARACTERISTICS OF CONTROL

(a). Control process is a Universal.

Control is an essential function in any organization whether it is an industrial unit, university, government office, hospital etc.

(b). Control process is a continuous process.

Control is a never ending activity on the part of managers. It is a nonstop process. The manager watches the operation of the management and to see whether they are going towards the desired end and if not, actions are not taken to corrective them.

(c). Control process is action based.

Action is an essential element of the control. It is the action which ensures the performance according to the decided standards.

(d). Control process is forward looking.

Control is linked with future not past. A proper control system prevents losses and minimizes wastages. It acts as a preventive measure.

(e). Control is closely related to planning.

A plan gives the direction to various business activities while control verifies and measures the performance of these activities and suggests proper measures to remove the deviations.

5.4 IMPORTANCE OF CONTROLLING OR NEED FOR CONTROLLING OR ADVANTAGES OF CONTROLLING.

A good controlling system gives the following benefits of the organization.

(a). Verification of policy.

(b). Adjustments in Operations.

(c). Improved Managerial Decision-making.

(d). Psychological Pressure.

(e). Co-ordination.

(f). Employee Morale.

(g). Efficiency and Effectiveness.

(h). Enhancement of enterprise goodwill.

(i). Avoiding Industrial Accidents.

(a). Verification of policy.

The management frames the policies and plans to help the organization function effectively and smoothly. The organization performance is reviewed in the light of these policies. The organizational performance might deviate from the plans or standard on account of many internal and external factors. Constant review of plans helps to revise and update them and it chances for verify the policy through the control process.

(b). Adjustments in Operations.

Controlling provides a clue to find whether the plans are properly implemented to achieve the objectives. The deviations from standards are corrected immediately. Thus control makes necessary adjustments in operation.

(c). Improved Managerial Decision-making.

Controlling provides opportunities to management to undertake better decision-making: utilizing the information provided by the controlling feedback mechanism. In a way, controlling paves the way for better future planning, effective organizational change, modifying staffing procedures and practices and adopting better directing techniques. Controlling leads to an improved overall managerial performance as well as stimulating better managerial decision making.

(d). Psychological Pressure.

Control process puts a psychological pressure on the individual for better performance. The sound control system inspires employees to work hard and give better performance.

(e). Co-ordination.

Control helps to emerge the coordination of the subordinates in the organization. Control ensures coordination of the activities of different department through unity direction.

(f). Employee Morale.

Control creates an atmosphere of order and discipline in the organization. Control contributes order and discipline and increase morale among the employees.

(g). Efficiency and Effectiveness.

Proper control ensures organizational efficiency and effectiveness. The organization is effective if it is able to achieve its objective. Since control focuses on the achievement or organizational objectives, it necessarily leads to organizational effectiveness.

(h). Enhancement of enterprise goodwill.

Controlling helps enhance the goodwill of the enterprise. In fact, a controlled enterprise shall be able to provide timely and qualitatitive services to society; earning for itself, a name in society called goodwill or image. Such goodwill further attracts more customers to the enterprise; creating additional sales and fetching super profits.

(i). Avoiding Industrial Accidents.

Employees, proceeding in the controlled manner, while undertaking production work on machines etc; are likely to meet with fewer unfortunate industrial accidents. This factor makes for industrial peace in the enterprise; imparting, at the same time, a happy and safe operational life to employees.

LIMITATIONS OF CONTROL.

(a). Absence of perfect standards.

(b). Difficulty in fixing respondents.

(c). Uncontrollable factors.

(a). Absence of perfect standards.

Standards cannot be fixed in all the cases. In some areas, quantitative standards cannot be expressed. In the absence of quantitative standards, the performance cannot be measured accurately. This indicates the ineffectiveness of control process.

(b). Difficulty in fixing respondents.

Normally, control reduces the freedom of employees. So, the employees resist the exercise of control. Then the control loses its effectiveness. Thus, the management has to face the difficulty of fixing responsibility.

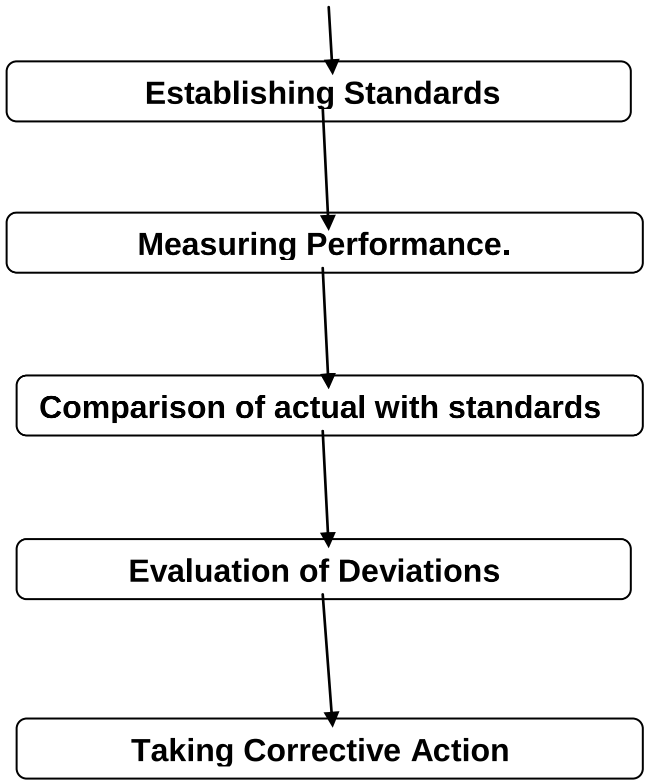
(c). Uncontrollable factors.

Some of the factors cannot be controlled by the management or organization. Changes of government policy, strategy of competitors, introduction of new substitute products in the market, technology changes, consumer preference changes could not be controlled by the organization or management. These are external factors of organization.

5.5 STEPS IN CONTROL PROCESS.

The following steps followed by Effective Control Process

STEPS IN CONTROL PROCESS



1. Establishing Standards

The control process begins with the establishment of standards of performance against which organizational activities can be compared. These are levels of activities established by management for evaluating performance. These standards must be clearly specified and understood by all organizational members without ambiguity. They should be defined in measurable terms, wherever possible, such as physical units produced per period of time, profit to be made per unit and so on. *For example, the goal of a real estate broker may be to sell four houses per month. He can then plan the month and monitor his performance. As another example, a college professor may* *have a goal of covering ten chapters from a book over a period of one semester. He can plan his schedule of teaching accordingly to meet that goal. These precisely stated standards, goals and objectives facilitate ease in communication to all persons and this makes the control process easier to monitor*

There are situations where it is not possible to quantify standards such as in the case of high morale, community relations, discipline or creativity. In such cases, all efforts should be made to fully understand these qualitative goals and design control mechanisms that would be useful in measuring performance in these situations. Some of the quantitative standards against which performance can be measured are:

(a).Time standards: The goal will be set on the basis of time lapse in performing a particular task. It could be units produced per hour, number of pages typed per hour or number of telephone calls made per day. Managers utilize time standards to forecast work flow and employee output. Standard employee output also determines the extent of financial incentive plans.

(b). Cost standards: These standards indicate the financial expenditure involved per unit of activity. These could be material cost per unit, cost per person, cost of distribution per unit and so on. Budgets are established to reflect these costs and they provide monetary check-points for comparing actual costs with budgeted costs.

(c). Income standards: These relate to financial rewards received for a particular activity. Examples would be sales volumes per month, sales generated by a sales person per year and so on.

(d). Market share standards: This goal would be oriented towards the percentage of the total market that a company wants to retain or further acquire. For example, a company may want to increase its share of the market by four percentage points per year for the next five years.

(e). Quality standards: These standards express levels of quality expected of a product or service. There are quality control programs which monitor the level of quality of a product. These may be tolerances within which the quality may be accepted. For example, the space shuttle and aircraft manufacturers have zero-defect production requirement while other products may have less stringent quality standards.

(f). Productivity: Productivity or quantity standards are expressed in numerical terms as the expected number of items produced per man hour or per given activity. These goals are the key to operational efficiency and are set on the basis of past performance, degree of mechanization, employee skills and training required and motivation of employees.

(g). Return on investment (ROI): Return on investment is comprehensive and useful standard as it involves all facets of the business such as turnover, sales, working capital, invested capital, inventory levels at given times, production costs, marketing costs and so on. It is a ratio of net income to invested capital. It is superior to market share as a standard because a large market share does not necessarily mean higher profits.

(h). Quantitative personnel standards: The worker morale and dedication can be measured to some degree by some quantitative standards. These standards may be the extent of employee turnover, number of work related accidents, absenteeism, number of grievances, quality of performance and so on.

2. Measuring Performance.

Once the standards have been established, the second step in the controlling process is to monitor and measure the actual performance. Monitoring and. measuring is a continuous activity and involves collection of relevant data that represents 'the actual performance of the activity so that a comparison can be made between what is accomplished and what was intended to be accomplished.

According to Suchman, there are five types of evaluations. These are:

(a). Effort: Effort reveals the extent of input and the idea is to measure such input to see if it is adequate in meeting the set objectives. *For example, the number of courses offered in the Business Department at the university would indicate the extent of the business program. Similarly, the number of patient beds in a hospital would be a measure of input for providing healthcare. A salesperson's performance may be measured by the number of calls he makes per day. Similarly, the number of beds in a hospital does not necessarily mean quality health care which is the ultimate goal*.

(b). Effectiveness: As indicated above, the evaluation of input elements does not adequately convey the degree of effectiveness and results. This problem can be eliminated by measuring outputs such as the number of clients placed in jobs, in the case of the employment agency or the number of patients cured in a given period of time in the case of a hospital.

(c). Adequacy: Adequacy is the ratio of output to need and is a useful measure if the need and the output can be clearly identified and related. If the needs are satisfied then the performance can be considered as adequate.

(d). Efficiency: Efficiency relates output to input. According to Euske, in terms of efficiency, it is better if more can be done with the same amount of input or same output can be generated with less input. Efficiency measures are useful for comparing the same process at two points in time or two different processes with the same output.

(e). Process: It relates to underlying processes which convert effort into outcome or input into output. It treats output as a function of input so that the focus is on evaluation of mechanisms that convert efforts into results, rather than the effort itself. This understanding of mechanism will assist in predicting the output of the organization for a given input. However, the process must be mechanistic in nature and clearly understood in order to be effective. For example, a salesperson cannot know if his presentation will result in a sale even when such a presentation is done well and is well received.

3. Comparison of actual with standards or Comparing Measured Performance with Performance Standards

The next step in the control process is to compare actual performance to the standards set for such performance. This comparison is less complicated if the measurement units for the standards set and for the performance measured are the same and are quantitative in nature. Such comparison becomes more difficult when they require subjective evaluations. The comparison tells us if anything has gone wrong in the process or operations, if there is any deviation, negative or positive and what must be done as a restorative process for correcting such a deviation. Furthermore, this comparison, not only results in the correction of the divergence, but also ensures the application of the preventive steps which could guide the conduct of operations in the future.

4. Evaluation of Deviation.

Before a deviation is corrected, a thorough investigation should be undertaken regarding the reasons for such a deviation. The management should look not for symptoms but for the root cause of the problem. Some of the questions to be looked into are:

- Were these deviations due to unrealistic standards set?
- Could the suppliers have shipped faulty materials?
- Are the operators less efficient, dishonest about results or misinformed about applicable standards?
- Is the equipment in poor condition?
- Is the quality control department doing an adequate job?

There are many instances where projects went over budget and over time. In such cases, these projects should be examined in their entirety and from all angles in order to determine the root cause of such a discrepancy.

Deviations can be of two types, namely negative and positive.

(a). Negative deviations: Negative deviations are those that have negative repercussions as a result and may be in the form of cost overruns or the project being behind schedule or the quality or quantity of the product being below the expected levels. This underperformance must be evaluated to determine whether goals should be changed or if any other corrective action is needed. For example, if there has been a delay in completing the project, the reason may be low morale of workers which may be evident by excessive absenteeism or inefficient performance or the persons may not have been well trained for the specific job. A cost overrun could be due to price increases initiated by outside vendors or it could be due to excessive machinery breakdown. These deviations must be detected and properly evaluated.

(b). Positive deviations: Positive deviations indicate that the performance was better than expected and the goals achieved were either sooner than anticipated or less costly than planned. These positive deviations should also be fully investigated as to why underestimations were made so that new revised estimates can be established.

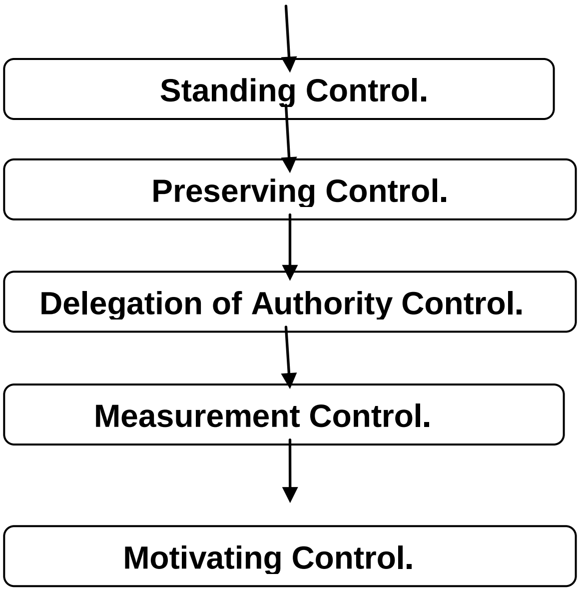
5. Taking Corrective Action

Once the deviations have been detected and presented to management for consideration, the decision must be taken as to what corrective actions are needed to remedy the situation. However, these corrective actions must be taken within the constraints of acceptable tolerance levels, outside environmental constraints such as those imposed by organizational culture or guidelines, labour unions, political and economic considerations and internal constrains of cost and personnel. Since the actual results do not always conform to the desired results, some deviations may be expected and thus acceptable and hence no corrective action may be needed. However, when deviations are of sufficiently serious nature, the following guidelines may be adopted for taking necessary action.

- Management must deal with the root causes of the problems and not the symptoms.
- Any corrective action should be taken promptly in order to make it most effective.
- Whenever and wherever possible, the corrective action should be built into the existing operations and these controls should be self-monitoring.

5.5 TYPES OF MANAGERIAL CONTROL.

Types of Managerial Control



(a). Standing Control.

Controls are used to standardize performance for increasing efficiency. Costs may be reduced by time and motion studies, inspections and work schedules.

(b). Preserving Control.

Company assets are protected or preserved through the allocation of responsibilities. Proper accounts are maintained for assets and usage of assets are controlled and put under strict supervisions.

(c). Delegation of Authority Control.

Control puts some limits to the usage or delegation of authority. The approval of the top management is necessary to use the delegation of authority. Policy manual, procedure manual and internal audits are some of the techniques include in this control.

(d). Measurement Control.

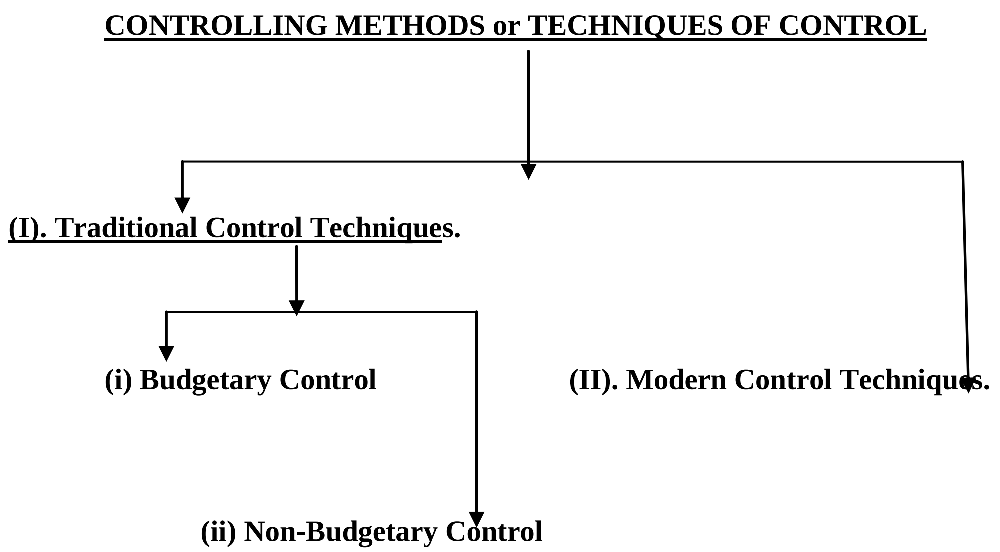
Controls are used to measure the job performance. Performance is measured through special reports, budgets, standard cost and production per hour or per employee.

(e). Motivating Control.

Controls are designed to motivate the employees of organization. Motivation includes promotions, rewards for best opinions and operation, profit sharing and the like.

5.5 CONTROLLING METHODS or TECHNIQUES OF CONTROL

In an organization a variety of control techniques are used in controlling the operations. These techniques are useful in measuring the overall performance of the organization. The process of planning and controlling go hand-in-hand in the management of any organization. This necessitates the implementation of certain managerial control techniques that help to determine whether activities are executed according to plans. The various techniques of managerial control can be classified into two categories:



(I). Traditional control techniques.

The traditional control techniques can be further classified into:

(i). Budgetary Control

(ii).Non-Budgetary Control

(i). Budgetary Control.

Budgetary control is a tool used by the management to obtain the objectives expressed as in the form of budget. The actual results are compared with the budgeted figures. If there are any deviation, they can be remedied by either adjusting or correcting the cause of difference.

Objectives of Budgetary Control.

- Fixation of the income and expenditure department wise.
- Defining the goals or objectives of the organization for a stipulated period.
- It establishes a measure of performance for each division or section of the organization.
- Co-ordination of the work of various departments or sections of the organization.
- Forecasting the financial position of the company.
- Eliminate departmental accumulation of cost and performance data for control purposes.
- Determining the capital expenditure of the company.
- Helping the preparation of fund flow and cash flow statements.
- Indicating the area where action is necessary to take corrective action.

The following types of budgets are used to controlling the organization.

Types of Budget

1. Master budget
2. Sales budget.
3. Cash budget.
4. Production budget.
5. Time and material budget.
6. Selling and distribution cost budget.
7. Production cost budget.
8. Production overhead budget.
9. Research and Development budget.
10. Fixed budget.
11. Flexible budget.
12. Zero Base Budgets (ZBB).

1. Master budget

Master budget had detailed planning of the entire business in one budget. Most of the business organizations involve themselves in the preparation of the master budget. Master budget show how each department budget promotes the business as a whole. Other budgets are subsidiary budgets of master budget.

2. Sales budget.

Sales budget is the first of the subsidiary budgets of master budgets. Without preparing the sales budget, is not possible for prepared by the other budgets. Sales budget is prepared on the basis of data available from market research, population trends, consumers taste and fashion, consumers purchasing power, competitors trend and production capacity are considered while preparing the sales budget. Sales budget may be prepared by area wise or product wise.

3. Cash budget.

Cash budget discloses the probable cash receipts and cash payments for a specified period. Cash budget helps the management to arrange the finance accommodation from financial institutions or commercial banks if need arises and it avoids the lack of finance. In other words, the amount is received from the concerned party at the appropriate time in credit sales amount or any debt amount and it minimizes the bad debts.

4. Production budget.

Production budget is prepared on the basis of sales budget. In addition to that, the company considers the production capacity, number of skilled employees available, and availability of manpower, space and warehouse facility while preparing the production budget.

5. Time and material budget.

Time and material budget figures are expressed as direct labour hours, machine hours or units or material required to produce product and effectively utilizing the machine, material and man power in the organization.

6. Selling and distribution cost budget.

Selling and distribution budget is prepared by the sales department manager. It helps the management to control the costs of selling and distribution. This budget includes the selling and distribution cost such as packaging expenses, storage, insurance, transportation, advertisement expenses, sales commission, marketing research expenses and the like.

7. Production cost budget.

Production cost budget indicates the expenses to be incurred in the production process during the budget period. Production cost budget may sub divided into raw material budget, production overheads budget etc.

8. Production overhead budget.

Production overhead budget lays down all the production overhead to be incurred in production during the budget period. The overheads may be sub-divided into fixed overheads, variable overheads and semi fixed or semi-variable overheads.

9. Research and Development budget.

This type of budget is prepared by the large organizations. Research is carried on to invent new product or to improve the existing products. It is necessary to survive in the market. Marketing risk may be reduced to some extent with the help of research.

10. Fixed budget.

The budget figures remain unchanged irrespective of the level of activity. The level of activity is unknown obviously. The actual performance is more deviated from the standard.

11. Flexible budget.

A budget is prepared at various level of activity in columnar form. The expenses are divided into three categories such as fixed, variable, and semi-variable. The type of budget very useful to the management in taking corrective action if there are any deviations.

12. Zero Base Budgets (ZBB).

It is a new approach to budgeting. Zero-base is prepared without considering the previous years figures. This technique requires the recalculation of all organizational activities to ascertain which should be eliminated or reduced or increased. In other words, the funds are estimated at current requirements.

(ii) Non-Budgetary Control Techniques.

The following are various non-budgetary control techniques:

<u>Types of Budget</u>

1. Personal observation.
2. Statistical Data or Statistical Control Reports.
3. Special Control Reports.
4. Internal Audit.
5. Ratio Analysis.
6. Break- Even Analysis
7. Standard Costing.

1. Personal observation.

Under this technique, the manager personally observes the operations in the work place. The manager corrects the operations whenever need arises. Employees work cautiously to get better performance.. It enhances motivation and morale among the employees of the organization.

2. Statistical Data or Statistical Control Reports.

These type of reports are prepared and used in large scale organization. Data presented in the form of charts, graphs and diagrams provide a quick understanding of the problem. This technique is, therefore, used more often for managerial control. They are applied specifically in the field of quality control.

3. Special Control Reports.

This report may or may not contain statistical data. Using this technique, a particular operation is investigated at a specified time for a particular purpose. This is done according to the requirements of management but not in regular basis. The deviation from standards is paid additional attention and corrective action is taken. Handling complaints of damage is an example of this type of control technique.

4. Internal Audit.

Internal audit report is prepared at regular intervals, normally by months. It covers all the area of operations. This report is sent to the top management. The management takes steps to control the performance on the basis of the report. Internal audit report emphasized the degree of deviations for the expectations. It is very useful to attain the objectives on timely basis.

5. Ratio Analysis.

The control of the total functioning in an organization becomes possible by an analysis of the profitability, liquidity and solvency ratios. For example, the 'Financial Statement Analysis' facilitates diagnosing the suitability of a business venture.

6. Break- Even Analysis or Cost Volume Profit Analysis (CVP)

The break-even analysis is an analysis of the interrelationship between cost of production, volume of sales and profit at various levels of activity. Under this analysis total costs are divided into two i.e., fixed cost and variable cost. Fixed cost will never change according to the changes in the volume of production. Variable cost varies according to the volume of production. This analysis helps in determining the volume of production or sales and the total cost which is equal to the revenue. The excess of revenue over total cost is termed as profit. The point at which sales is equal to the total cost is known Break- Even Point (BEP). In other words, the break-even point is the point at which there is no profit or loss.

7. Standard Costing.

Standard costing is used to control the cost. The following are the steps involved in standard costing:

- Determination of cost standards for various components such as material, labour, and overhead.
- Measurement of actual cost in cost of production or cost per unit.
- Comparison of actual cost with Standard costs to variation.
- Finding the causes of variations and taking measures to avoid the variations in cost of future years.

(II). Modern control techniques.

Modern Control Techniques With the changing times, many new techniques and methods of managerial control have been developed to enhance the control of complex events. These techniques are based on an integrated approach towards the planning and control functions. The different modern techniques of managerial control are as follows:

1. **Return on Investment.**
2. **Human Resource Accounting**
3. **Management Audit**
4. **Responsibility Accounting**
5. **Network Techniques: PERT/CPM.**
6. **Production Planning and Control.**
7. **Management Information System.**
8. **External Audit Control.**
9. **Information Technology in Organizational Control.**
10. **Standing Orders**

1. Return on Investment (ROI).

Return on Investment is also known as return on the capital employed. Alternatively called as Rate of Return, this technique can be used for both planning and controlling objectives. It is derived from a ratio between the total profit and the total investment of an organization. Return on Investment helps to evaluate the functioning of an organization in the light of its total profit earned so far. Besides profit planning, this technique is also useful and suitable for capital budgeting in particular and for long-term investment.

Advantages of Return on Investment.

- ROI helps to know whether the resources are employed effectively or not.
- It concentrates on the basic objective of business, namely profit earning.
- ROI facilitates decentralization of authority. By defining a target rate of return for each department, it provides possible autonomy of management to Departmental heads.

2. Human resource accounting.

Most control techniques calculate financial performance in terms of costs, profits, revenue and other such concrete factors. However, the most important contributing factor, viz. human resources, is overlooked in these techniques. The Human Resource Accounting technique by Likert helps in the calculation of human resources. This technique involves:

- Accounting for people as an organizational resource
- Involving measurement of the cost incurred in the acquisition and development of human assets and
- The measurement of economic value of employees to an organization.

The value of any individual or employee is defined in this technique, in terms of the contemporary worth of the various services he is supposed to provide to the organization. This value is known as 'Individual's Expected Realizable Value'. (IERV) This technique provides a sound basis for planning and controlling human resources.

3. Management audit.

Management audit can be defined as an independent and critical evaluation of the total managerial process. It records the deviations from the principles and practices of effective management at different levels of organization. Then the impact of these deviations on the organization and on end results is noted.

Advantages of management audit.

- No well-defined principles and procedures are available.
- There is shortage of well-qualified management auditors.
- Absence of an objective and independent approach to the audit.

4. Responsibility accounting.

In this technique, costs are accumulated and reported by levels of responsibility. Accounting statements are created for all levels of management. These statements are designed for the operating people, to control their operations and costs. Responsibility Accounting classifies organizational management into responsibility centres. A responsibility centre is an organizational segments such as division, department or section led by a manager who is responsible for specified targets of performance. *There are four types of responsibility canters:*

- **Cost centre:** A cost centre measures financial performance by noting whether the assigned tasks are done within the planned expense amount.
- **Profit centre:** A profit centre measures the financial performance according to the achieved budgeted profit.
- **Revenue centre:** The revenue centre measures the financial performance by noting if the specific segment has achieved the budgeted levels of sales revenue.
- **Investment centre:** In the investment centre a manager is held responsible for effective use of invested capital or for the planned return on investment.

5. Network techniques: PERT and CPM.

Network techniques are recent developments applied in management planning and control of an organization. Programme Evaluation and Review Technique (PERT) and Critical Path Method (CPM) are the two most popular network techniques. PERT technique is used to solve the problem which crops up once or a few times. It is not useful in tackling the problems which comes up continuously. CPM technique is concentrate on cost rather on cost rather than duration.

6. Production Planning and Control.(PPC)

Production planning and control is a yardstick which helps to overcome problems of modern production. In other words, it refers to a decision with regard to quantity, quality and time of production and it helps in the control of the entire production process.

Elements of Production Planning and Control.

(a). Pre-Planning function.

Pre-Planning function, it includes the functions of Forecasting the demand and volume sales, determining the quantity of production, lying out of plans, materials management, research and development and internal transport planning.

(b). Regulatory function.

Regulatory functions, it includes routing, scheduling, dispatching and Follow – up.

(c). Control function.

Control function, it includes inspection and evaluation.

7. Management Information System.(MIS)

Relevant information is collected and transferred to all the persons who are responsible to take decisions. A communications system is developed through which all levels of persons are informed about the growth of the organization. Whenever the deviation is found, the corrective or control action is taken by the responsible person. The management information system emphasizes the need for adequate information in time for taking the best decision. Thus, management information system helps the management in managerial decision-making by giving the right information at the right time and the right form.

8. External Audit Control.

External audit control is a must to all the joint stock companies under the purview of statutory control. The external auditor certifies that all the books of accounts are kept as per the requirements of law and supplies all the necessary information for the purpose of audit and the balance sheet presents a true and fair view.

9. Information Technology in Organizational Control.

The advent of computers has revolutionized the management process. Today, organizations can manage the actions of employees and processes by implementing certain software systems in their premises. Let us look at few such examples.

- IT has enabled easy authentication. With the aid of digital signatures, smart cards, biometric data, and a combination of user names and passwords, the management can validate the credentials of a person, process, or device.
- There are certain IT programmes that authorize a person or a device access certain information.
- Access control has become more fool-proof due to the presence of IT mechanism that limits access to certain information based on a user's identity and membership in various predefined groups.

- Newer IT software act as tools for the management in detecting, understanding, and recovering from security breaches.
- There are certain integrity tools that enable the management in determining whether unauthorized changes have been made to a system.

10. Standing Orders.

Standing orders covers rules and regulations, discipline, procedure and the like. Rules and regulations are framed according to the requirements of administration. For example, no employee should leave the office before office time without getting prior permission in writing.

5.6 REQUIREMENTS OF EFFECTIVE CONTROL SYSTEM.

There are certain requirements of effective control systems. They are briefly explained below:

(a). Feedback.

(b). Objective.

(c). Suitability.

(d). Prompt Reporting.

(e). Forward Looking.

(f). Flexible.

(g). Economy.

(h). Acceptability.

(i). Suggest Remedial Action

(j). Motivation.

(k). Controls generate accurate data and information.

(L).Timeliness.

(M). Integration.

(a). Feedback.

Feedback is the process of adjusting future actions based upon the information regarding past performance. If feedback practice is followed by the management, the control process will be very easy.

(b). Objective.

Control should be objective. It means there is a certainty of control. The impartial appraisal of performance is necessary for certainty of control.

(c). Suitability.

The control should be objective. It means there I a certainty of control. The impartial appraisal of performance is necessary for certainty of control.

(d). Prompt Reporting.

The deviations from standards should be informed without any delay. If there is any delay caused, exercising control will be of no use.

(e). Forward Looking.

Effective control system must focus how the future actions will conform to plans. In other words, the control system should provide an aid in planning.

(f). Flexible.

The standards or criteria should be altered from time to time. The reason is that the standards should conform to present requirements. Hence, the control system should be flexible in accordance with the changed standards or criteria.

(g). Economy.

The benefits derived from the control system should be more than the cost of exercising such a control system.

(h). Acceptability.

Controls should be such that all people who are affected by it are able to understand them fully and accept them. A control system that is difficult to understand can cause unnecessary mistakes and frustration and may be resented by workers. Accordingly, employees must agree that such controls are necessary and appropriate and will not have any negative effects on their efforts to achieve their personal as well as organizational goals.

(i). Suggest Remedial Action.

The effective controls system should disclose the places of failure, persons for failure and how they have been dealt with.

(j). Motivation.

A good control system should be employee centered. The control is designed to secure positive reactions from employees. If large deviations are found, the employees will be properly directed and guided instead of being punished. The very purpose of control is prevention and not punishing.

(k). Controls generate accurate data and information.

Accurate information is essential for effective managerial decisions. Inaccurate controls would divert management efforts and energies on problems that do not exist or have a low priority and would fail to alert managers to serious problems that do require attention

(L).Timeliness.

There are many problems that require immediate attention. If information about such problems does not reach management in a timely manner, then such information may become useless and damage may occur. Accordingly controls must ensure that information reaches the decision makers when they need it so that a meaningful response can follow.

(M). Integration.

When the controls are consistent with corporate values and culture, they work in harmony with organizational policies and hence are easier to enforce. These controls become an integrated part of the organizational environment and thus become effective.