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Chapter 1

Concept of Business Administration and Management
What is Business?

The term business refers to a state of being busy. This means that every business man is supposed to be busy at all times. In the economic sense, the term business means work, effort or art of people which relates to the production of wealth. A business man seeks to earn profit by exchanging good and services as to satisfy human wants.

The term business has been variously defined by business experts and scholars. A more comprehensive definition was put forth of L.R. Dicksee which runs as follows.

Business refers to a form of activity pursued primarily with the object of earning profits for the benefit of those on whose behalf the activity is conducted. The term is used to cover the whole complex field of commerce and industry. The basic industries and the net work of auxiliary services, distribution, banking, insurance, transport and so on, which serve and inter penetrate the world of business as a whole Various other definitions focus their attention on one point i.e. satisfaction of human wants.

Thus it means seller is a business man because by selling he earns his living. The owner of a textile mill is a big business man, for he is supposed to derive large incomes from his mill through the manufacture of cloth. A pawn broker who lends money on interest against deposit of goods has made money lending his business. Business in thus a comprehensive affair.

What is Administration?

That phase of business enterprise which concerns itself with the overall determination of the major policies and objectives is 'Administration';. The principal task of administration is to determine the specific goals and lay down the broad areas within which goals are to be achieved. Administration is a determinative function within a enterprise and is the primary responsibility of the top management.

According to one group of writers, Sheldon, spriegal and milward, administration involves thinking. It is a top level function which centres around the determination of plans, policies and objectives of a business enterprise.

What is Management?

Policies provide an objective and management provides the action to get things done. "Management"/ is the executive function that concerns itself with the carrying out of the administrative policies laid down by administration. Management directs the active operations within the enterprise and combines the work of the employees with the available capital equipment and materials to produce an acceptable product. Management also markets the product or service according to the broad policies established by administration.

Administration Vs Management

The distinctions between Administration and Management are as follows.

1. Policy determination

Administration is concerned with policy-making. It determines the goals or the targets to be achieved.

Management is concerned with the implementation of the policy, it is not directly concerned with goal or target fixation.

2. Implementation of policies

Administration is not directly concerned with the implementation of policies. Management is concerned with the implementation of policies framed by administration.

3. Determinative Vs Executive functions

Administration's functions are legislative and largely determinative.

Management's functions are executive and largely governing.

4. Direction of human efforts

Administration is not actively concerned with the direction of human efforts in the execution of the plan or policy.

Management is mainly concerned with the direction of human efforts in the execution of the plan or policy.

5. Main functions

Administration involves planning and organising functions.

Management involves motivating and controlling functions.

6. Managerial Level

Administration relates to apex or top level management. Personnel of the top level like the owners or the Board of directors are in charge of it.

Management relates to middle or lower level management. Personnel below the top level like General Manager or Managing Director are in charge of it.

7. Men Boss Relation

Administration is the master of industry which provides the various agents of production and in lieu of this services earns profit.

8. Co-ordination and Control

Administration co-ordinates finance, production and distribution, it frames the organisational structure and exercises control over the enterprise.

Management uses organisation for the achievement of the targets fixed by administration.

9. Administrative Vs Technical ability

Administration requires administrative rather than technical ability.

Management requires technical ability more than administrative ability.

10. Expansion of functions

Administration's functions expand at the upper level and decrease in importance at the lower levels.

Management's functions contract at the upper level and decrease in importance at the lower levels.

Management's functions contract at the upper level and expand at the lower levels.

Management - an Introduction

Management in some form or the other is essential wherever human efforts are to be undertaken for certain ends. Human activities are undertaken either individually or in groups. Group activities result in the formation of organisation. Every organisation has some objective economic, social, political cultural or any other. Organisations are groups of individuals joined together for business or any other set of objectives. Business Corporation universities, military set ups and sports bodies are examples of group activities which are formally brought into existence for said objectives. Management is particularly needed for running such activities or organisation so that they can attain their objectives. It is only through management a group activity can be planned, organized, directed, controlled and unified. So that the objectives can be achieved.

Definitions of Management

It is difficult to define management. In fact, no definition of management has been universally accepted. Different experts have defined management from different points of view. Some of the definitions are as below.

1. Koontz O'Donnal

"Management is the task of Manager to establish and maintain an internal environment in which people working together in groups can perform effectively and efficiently toward the attainment of group goals".

2. G.E. Milward

"Management is the process and the agency through which the execution of policy is planned and supervised".

3. S. George

"Management consists of getting things done through others. Manager is one who accomplishes the objectives by directing the efforts of others"

4. Lawrence A. Appley

"Management is the development of people and the direction of things, management is personnel administration"

5. Peter F. Drucker

The first definition of management is that it is an economic organ of industrial society. It means taking action to make the desired results to pass.

6. George R. Terry

Management is a distinct process, consisting of planning, organising, actuating and controlling performed to determine, accomplish stated goals by the use of human beings and of resources"

Characteristics of Management

The important characteristics of management are:

1. Management is a process. This process continues till objectives set by administration are actually achieved.
2. Management is an endeavour to achieve the pre-determined objectives.
3. Management is always concerned with the group effort not individual efforts.
4. Management aims at reaping rich results in economic terms.
5. Management also implies skill and experience in getting done through pople.
6. Management is a science and also an art.
7. Management is a profession.
8. The principles of Management are of universal application.
9. The main task of the managements is guidance in the utilisation of material and human resources in the best possible manner.
10. Management does not signify proprietorship.
11. Management is the factor which activates other factors of production.
12. Management functions are discharged only by individuals.
13. Management signifies authority.
14. Management is also characterised by the quality of leadership
15. Principles of Management are dynamic and not static.

Scope of management

The following may be included in the scope of management.

1. Planning, Organising, Direction, Co-ordination and control form the subject-matter of management.
2. Functional Areas of Management include
   a. Financial Management
   b. Personnel Management
   c. Purchashing Management
   1. Production Management
   e. Maintenance Management
   f. Transport Management
   g. Distribution Management

    h.   Office Management

    i.   Marketing Management

    j.   Development Management

3.   The study of commerce, economics, sociology, psychology and mathematics is very essential for the correct application of management principles.

4.   The principles of management are of universal application.

5.   Three essentials of management are"

    i.   Scientific method

    ii.   Human relations and

    iii.   Quantitative technique.

Importance of Management

Management is essential whenever human efforts are to be undertaken collectively to achieve specific goals. No group activity can succeed without proper management. Modern enterprise succeeds only when there is a competent leadership in the form of a management which works on scientific lines.

The importance of management is further highlighted in large scale undertakings where ownership is detached from the actual working. In corporate organisations the proprietors i.e., the group of shareholders meet only once to twice a year. The board of directors also remains in the back ground. They meet occasionally and disperse after taking some decision on policy matters. The onus of working and achieving the targets rests with the management. It can make the organisation or ruin it. A competent management would turn the losing concern into a flourishing and financially sound concern while an incompetent management could only hasten its closure.

In the words of Peter Drucker, "Management is that organ of the society which is charged with the responsibility of making resources productive, i.e with the responsibility of making organised economic advance. It, therefore, expresses the basic spirit of the age. With the responsibilty of capital reduced, it is the mangement which puts the problem in proper perspective, take initiative, develops human talent generates production, introduces innovations, useful experiments, reconciles conflicting interests and takes the unit on to the road of progress.

The Manager and his job

The manager is the Key-man in the organisation pyramid. A manager is a person who gets things done through and with the people informally organised groups. The manager essentially deals with the people and resources. His job is to co-ordinate the activities of people and optimise the use of resources so as to reach the defined goals.

According to Haimann, a Manager plans, organises, staffs directs and controls. Usually the chief executive in an organisation is designated as Managing Director if he is a member of the Board of Directors or a General Manager when he is not a member of that body. But in both the cases, the primary responsibility is to implement the policies and the decisions of the board and to carry to it for decisions those matters which are necessary.

According to Peter Drucker, the Manager performs three types of work simultaneously They are.

    1.   Managing a business

    2.   Managing managers and

3.   Managing workers and work

Duties of the Manager

The duties of the Manager can be grouped under two heads

1.   Ordinary duties
2.   Special duties.

Ordinary duties

The ordinary duties of the Manager are given below.

1.   Carrying on to effect the policy laid down by the Board of Directors.
2.   Communication and interpretation of policy for information and instructions of sub ordinate executives.
3.   Keeping the operations of the company under constant review and presenting to the board periodically the accounts and statistics showing the progress and current position of company affairs.
4.   Maintaining definitions and structure of responsibility of executive and supervisor positions in the organisation up to date in requirements.
5.   Approving the manufacturing and distributing development plans submitted by the senior executives concerned.
6.   Giving decisions and interpretation of policies when for good reasons a departure from agreed policy arises.
7.   Ensuring adequate arrangements to safeguard the continuity of supplies to the customers.
8.   Having periodical meeting with the senior executives to review performances against budget standard.
9.   Ensuring adequate co-ordination of activities throughout the organisation and
10.   Ensuring adequate facilities for development of executive and supervisory staff

Special Duties

The Special duties of the manager are as follows:

1.   To consider suggestions from subordinate executives in regard to company's policy and submit them objectively to the Board of Directors.
2.   To review the reports received from specialists executives in relation to their own fields.
3.   To ensure that all executives understand the nature and importance of budgetary control principles and application of such principles to the activities carried out within their own jurisdiction.
4.   To give adequate attention and promoting high level of moral among the executive staff and throughout the organisation.

Functions of Management

The concept of management can be clearly understood by a study of the functions a manager performs. The managers have to perform the following function.

1.   Determination of objectives
2.   Determination policies
3.   Setting up an organisation
4.   Development of the resources
5.   Collection, application and direction of the use of resources

6.   Employing personnel
7.   Guiding and co-ordinating

Henry Fayol classified managerial functions into five parts viz., Planning, organising, comman, co-ordination and control

G.R. Terry holds that managers perform the functions viz., Planning, organising activating and controlling.

R.C. Davis has identified only there functions of management , i.e., Planning, organising and controlling. According to him command and co-ordination facilitate control and should therefore be considered as a part of it.

We could categories the main functions as

1.   Planning
2.   Organising
3.   Staffing
4.   Motivating
5.   Directing
6.   Communicating
7.   Co-ordinating and
8.   Controlling

The subsidiary functons are

1.   Reporting
2.   Innovating
3.   Budgeting and
4.   Decision making

Planning

Planning involves selecting the courses of action that a company will follow. There are various types of plans ranging from goals and objectives to the detailed action plans. Plans become the guides by which.

1.   The organisation obtains and commits the resources required to reach the objectives.
2.   Members of the organisation carry on activities consistent with the chosen objectives and proceedures and
3.   Progress towards the objectives is watched and measured so that corrective action can be taken if progress is unsatisfactory.

Planning involves the selection of goal for the entire organisation. Objectives are evolved for different departments and divisions. Once the objectives are finalised, programmes are designed for achieving them in a specific manner.[1]

Plans made by top management for the organisation as a whole may cover periods as long as five to ten years. Planning at the lower levels covers much shorter periods such as a week or a few days.

Organising

Organisation refers to the function of arrangements of human personnel, materials finance and equipments, working space etc. in a specific and systematic manner so that the desire objectives are attained smoothly and effectively.

Organising involves

1. determination of activities required to achieve goals.
2. grouping of these activities into departments or sections
3. assignment of such groups of activities to a manager
4. delegation of authority to carry them out.
5. provision for co-ordination of activities and
6. providing information horizontally and vertically in the organisation structure.

The managers must have the ability to determine what type of organisation will be needed to accomplish a given set of objectives and they must have the ability to develop that type of organization.

Staffing

Staffing is the function of employing suitable personnel for the enterprise. No organisation can work without human involvement.

Staffing would Imply

1. Estimating the number of employees required for manning various jobs in the industry.
2. Finding the job requirement of different assignments and the type of personnel required, their emoluments etc.
3. Devising the source of recruitment
4. Framing tests for the candidates and deciding the procedure of selection.
5. Providing training to the selected candidates.
6. Placement to the job in the organisation.

Motivation

Even if competent workers are selected through an impartial and scientific selection procedure, the enter·rise would not get the benefit from them unless they are fully motivated to put in their best.

According to Michale. J. John, "Motivation is the act of stimulating some one to do the desired course of action, to push the right button, to get the desired action.

According to Dalton E. Farland

The concept of motivation is mainly psychological. It relates to those forces operating within the individual which compel him to act or not to act in certain ways,

Motivation may be of two types.

1. Positive Motivation

      i) Financial Motivation

      ii) Non Financial Motivation

2. Negative Motivation

Financial Motivation includes prize incentives, wages, premium, bonus etc.

Non financial motivation includes promotion, praise of work, social recognition participation in management and soon.

Negative motivation includes demotion, fine, punishment and may also mean removal from service.

Direction

Direction as a function management includes the fallowing

1.   Issuing orders and instructions
2.   Guiding and teaching the subordinates about proceedures and methods.
3.   Supervising the workers from time to time
4.   Establishing the communication system so that
      a.   information can be given by superiors to subordinates and
      b.   reports can be obtained by superiors from subordinates,
5.   Motivating the subordinates.
6.   Providing Leadership to the subordinates
7.   Applying discipline and maintaing it.

Communication

Managerial functions of directing, guiding, coordinating or motivating are discharged through continuous process of communication.

In the words of Harold Konntz and Cyril O'Donnel. "Communication is an intercourse by words, letters, symbols or message and is a way by which one member of an organisation shares meaning and understanding with another.

The elements of communication are

1.   The Communicator i.e., the one who transmits the message
2.   The Communicatee i.e., the one who receives the message
3.   The transmission i.e., the act of transmitting the message
4.   The message itself.
5.   The response i.e., the reaction

Co-ordination

Co-ordination means the adjustment of movement or relations of work so as to combine or integrate harmoniously. Modern business units work through numerous people. They perform diverse activities which are allotted to them on the basis of specialisation. These activities have to be correlated in a logical sequence so that they are contributor to the attainment of the objective.

According to L.Lundy, Coordination involves the development of unity of purpose from the stand point of time and sequence of execution.

Co-ordination helps in the following ways

1.   Business activities are performed in a systematic sequence
2.   It avoids delays, interruptions and omissions
3.   It ensures adherence to schedule, policy and objectives.
4.   Co-ordination avoids conflicts, clashes and differences of opinion
5.   If forgets team spirit and co-operation among the employees.

Control

Control is the process of finding out the difference between the goals achieved and the goals proposed which had been planned. It also involves taking corrective measures if any.

Control involves four main steps.

1.   Knowledge of targets desired
2.   Knowledge of available resources in terms of men machines and materials and how they are to be effectively utilised.
3.   Knowledge of what have been achieved

4   Devising corrective measures for deviations wherever they are

Study Assignment

.   Differentiate carefully between Administration and Management1.
2.   Business Administration and Management provide the necessary guidance, leader ship and control to the efforts of a group of individuals towards some common goal. Amplify this statement.
3   "Management is getting things done through people". Discuss.
4   Define management and discuss its chief characteristics.
5   Discuss the nature and importance of management in modern organisation.
6.   Attempt an essay on "Manager and his job
7.   Describe the principal elements or functions of management.
8.   Comment upon the following statements.
a.   Management is what management does
b.   Management is the development of men and not the direction of things.
c.   We build men, the men build producs.
9.   To manage is to balance a variety of needs and goals Discuss.
10   "Manages at all levels require some competence in each of the technical, human and conceptual-skills, albeit with difference in emphasis". Analyse this statement with suitable examples from your work experience.

Chapter 2

Nature of Management

Though Management as a practice came long ago, infact, with the existence of human groups themselves, its impact as a formal body of knowledge has been felt much later, particularly during the last five-six decades. Here an attempt is made to analyse and discuss the problems in the nature of Management.

1,   Is Management a Science or Art?
2.   Is Management a Profession?
3.   Are the principles of management Universally applicable?

Is Management a Science or Art.

A body of knowledge may either be a science or an art.

Science is a systematised or a organised body of knowledge which generally uses the scientific methods for the purpose of observation and is based on principles, rules laws and elements, having universal applicability without any problems, drawback or limitations because these are exact.

We can call a discipline scientific if it.

1.   Methods of enquiry are systematic and empirical
2.   Information can be ordered and analysed; and
3.   Results are cumulative and communicable.

Science provides the theory, principles and the laws on any branch of human knowledge. Science gives knowledge which in turn gives power of application.

Management is an organised body of knowledge. It is based on principles derived after the detailed study of observation; like principles of Management, principles of organisation, principles

of the delegation of authority and principles of effective communication. These can be taught principles of effective communication. These can be taught and one can become a good Manager. Thus the earlier belief that Managers are born only stands contradicted. The natural talents can be developed through proper training and education.

However, Management is not comparable to exact sciences like physics, chemistry, biology etc. It deals with human being and it is a social science like the science of economics. For example, it is not possible to study the effect of say only monetary incentives on a workers productivity because the effect will always be found to be mixed with and in separable from other effects such as the Leadership style of the worker's supervisor, worker's need hierarcy, the pressure of his co-workers, etc. Hence, Manager dealing with complex human being is bound to be in exact science.

An art is a set of rules for the attainment of given ends, it is generally based on

Judgment

Feeling and

Intuition

An art is concerned with the understanding of how a particular work can be accomplished, An art tells us how knowledge can be put to creative use and what methods are available for doing the job. Art reflects practical applications of knowledge and it is perfect through knowledge and experimentation. As in art, every person has his own approach, similarly in Management, Managers also have different approaches and methods to achieve the predetermined goals or concrete results so that the best possible results are attained at minimum of cost and that a degree of efficiency is achieved with minimum of disturbance.

Management requires judgment in forecasting, decision making, planning and in settlement of disputes; feeling in delegation of authority, supervision, motivation and dealing with grievances and institution in forecasting, planning and leadership.

A Manager is not only scientist but also an artist. As a scientist, he relies on the existing theory and philosophy of Management and develops now knowledge, new principles and new schools of Management thought. As an artist, he has to depend on her own experience, inner senses, intitution and judgement while making decision on any managerial problem and taking actions on the decisions to realise the set objectives.

Thus we conclude that Management involves both elements those of science and an art. While certain aspects of Management make it a science, certain others which involve application of skill make it an art. In reality the science and the art of Management go together hand in hand and both are mutually inter dependent complementary.

Is Management a Profession?

The word profession has been given variety of meaning, and different people attach different characteristic to it. In the past it was claimed that profession was an occupaton based upon specialised intellectual study and training, the purpose of which was to supply skilled service or advice to others for a definite fee or salary. At present it is said that profession is a vocation whose practice is founded upon an understanding of theoretical structure of some department of learning of science. Both of these meanings merely imply that professions are in some manner, service occupations and therefore value of society.

Prof. Kenneth of harvard Graduate School of Business attributes

1.   Knowledge
2.   Competent application
3.   Self control and community action
4.   Social responsibility-as the four features of a profession

Prof. Dalton E. Moffariand mentioned the following as the features of profession.

1.   Body of specialised knowledge
2.   Representative organisation
3.   Properly formalised methods of acquiring training and experience.
4.   Moral and ethical code of conduct and
5.   Preference of service motto than monetary awards.

Operational definition

Profession is an occupation for which specialised knowledge, skills and training are required and the use of these skills is not meant for self satisfaction but these are used for larger interest of the society and the success of these skills is measured not in terms of money alone.

Let us see the extent to which the above said features are found in management to determine whether Management is profession or not.

1. Existence of Knowledge

Management has been developed as a distinct body of knowledge over the last five-six decades. The development of knowledge in Management field has been due to need for managing complex and large organisations in a better way, Thus management satisfies the requirement of a profession in the form of existence of knowledge,

2. Standardised education and training

The practice of Management requires knowledge of the theory of management. Every expert on management has emphasised the need for study and understanding of the principles of management. A number of writers, practising managers and industrialists have contributed to the development of the ideas of principles of management. There are specialised institutes providing training in management and offering certificate, diploma and postgraduate courses.

3. Social Responsibilities.

The modern manager is not only answerable to the group of shareholders, but he has a wide range of responsibilities. The success or failure of modern business corporations depends on management. The management has to see that productive sources of the society are not wasted but are put to proper use. In other words, there should be no misapplication or wastage of resources. Management has to reconcile the conflicting interests of the shareholders and the labour, meet the social obligations of business by looking after the interests of the consumers and meeting the requirements of the government.

4. Ethical codes

The need for ethical codes arises because of the fact that occupations whose practitioners have mastery over an area of knowledge have a degree of power by virtue of their expertise and this power can be used for the benefit of the professionals at the cost of the society. This has resulted many occupations issuing a code of ethics of professionals practice so that clients may know the standard and commitment that they should receive from a professional. In management also code of conduct has been formulated to suggest the behavioural patterns for professional manager. In India

All India Management Association has formulated the code of conduct for the professional managers.

Are the principles of management Universally applicable?

The third most important characteristics regarding the nature of management is that its principles are of universal application. If it is universal, there is no problem in transfer-ability of management knowledge. However, in its absence, there is serious question on the universal use of management knowledge developed in a country.

In this concept the transmission of management knowledge may be undertaken.

1. by a manager from one country to another country.
2. by people from a developing country coming to study and work in an industrially advanced country and returning back to their own country.
3. through training and development programmes for managers in developing countries.
4. Thus managerial knowledge can be transferred from
1. One person to another person
2. One firm to another firm in the same country and
3. from one country to another country.

Arguments against Universality

The arguments against universality of management based on the following factors.

1. Management is culture bound. The culture factors will affect the degree of applicability of management principles and these will have to be modified accordingly.
2. Objectives differ from one enterprise to another enterprise. The objective of an enterprise determines the type of management required. Peter Drucker feels that the skills, competence and experience of a management cannot as such be transferred and applied to the business organisation and running of other institution.
3. Difference in philosophy of various organisations required different kinds of managerial techniques. These difference in philosophies exerted different influence on morale of the employees, productivity organisation structure, delegation of authority, span of management and communication patterns.

Arguments far the University

The arguments far universality of management based on the following factors.

1. Management as a process is universal and is found in all organised activities irrespective of country, culture or size.
2. The distinction between management fundamentals and techniques should be understood to assertain the universality of management. The management techniques may differ from country to country whereas management fundamentals will remain the same.
3. Universality of management suggests that management fundamentals are the same, only practice differ. The management practice may differ according to the nature of the organisation, but the basic fundamental of management will remain the same.

Study of Assignment

1. What do you understand by the term "Nature of Management?
2. "Management contains both elements, those of a science and those of an art". Discuss.
3. Discuss the characteristics of management as profession. Is management a profession?
4. What is the concept of universality of management? Do you think that there are universal principles of management that affect the success of all organisations and managers.
5. How for do you agree with the view that the principle management are of universal application? Explain suitable Examples.

Chapter 3

Evolution of Management Thought

The development of Management though has taken place during the last 100 years, the management thought or theory in the current economic situation can best be understood in the ght of its historical growth particularly since 1900. Similarly the future of management thought can be best anticipated by knowledge of the past as well as understanding of the present. Hence the time periods in which different concepts have developed may be divided into five parts.

1. Pre-Scientific Management Era
   (Before 1880)
2. Scientific Management Era
   (1880-1930)
3. Human Relation Era
   (1930-1950)
4. Social Science Era
   (1950 onwards)
5. Management Science Era
   (-do-)

The above time periods only signify the dominance of a thought in a particular time period.

Pre-Scientific Management Era

The early management thinkers who made valuable contributions to the development of management concepts in Prescientific management phase are

1. Rober Owen (1771-1858)
2. Charles Babbage (1792-1871)
3. Henry Robinson Towne (1844-1924)
4. Henry Metcalfe (1847-1917)

Robert Owen

Robert Owen was the manager of many cotton mills at New Lonark, Soctland from 1800 to 1828, In those days the working and living conditions of workers were unbearable. So Robert Owen paid attention towards labour welfare. He made efforts to improve the working conditions in the factories and provide facilities to workers. He believed that improvement in working and living conditions of workers would lead to higher production and profit.

Charles Babbage

Charles Babbage was a Professor of Mathematics at Cambridge University. He emphasised that good machines and efficient workers would not necessarily ensure the success of a business. But good management is the most important element in a successful business. He advocated division of labour, sepecialisation and assignment of labour on the basis of skill.

Henry Robinson Towne

Henry R. Towne was the President of the famous lack manufacturing company Yale and Town'.. He was also the president of the American Society of Mechanical Engineers in 1889, He was an innovator in the field of management. He motivated engineers to study management and recommended a combination of management and engineering. He also pleaded for an association where persons connected with industries could exchange their experience.

Henry Metcalf

Henry Metcalf was a reputed manager of an army. He viewed that the art of management should be founded on the accumulated observations which could be built upto check performance. These observations should be systematically presented. He believed in maintaining important records and discarding superfluous charts and reports.

Scientific Management Era

The thinkers who contributed in this field are

1.   F.W. Taylor (1856-1915)
2.   Henri Fayol (1841-1925)
3.   Henry Lawrence Gantt
4.   Oliver Sheldon

F.W. Taylor

F.W. Taylor was the first person who insisted on the introduction as scientific methods in management. He was born in Pennsylvania, U.S.A., in 1856. He started his career as a machine shop labourer in a small mill and rose up to the position of Chief Engineer in a steel mill.

Meaning of Scientific Management

Scientific Management is management carried on scientifically as opposed to traditional management in which managerial principles are subjectively derived. They depend on the whims views and prejudice of the manager incharge. Taylor advocated a philosophy of management which the methods and the principles are objectively derived.

In the words of F.W. Taylor Scientific Management is knowing exactly what you want from men to do and seeing that they do it in the best possible and the cheapest way. Therefore scientific management seeks to replace the subjective approach of the manager by objective principles methods and rules framed as result of enquires.

Thus, it can be stated that scientific management is that form of management which is based on the principles and laws formulated scientifically and which aims to achieve the best possible results through the most expedient and economical methods.

Aims and Objectives of Scientific Management

1.   Scientific Management aims to bring about increase in production making it possible for the enterprise to produce the maximum.

2. It lays down rigid rules for inspection of quality at each step.
3. It would introduce cost control at various operative stages
4. In Scientific Management wastage is eliminated through detailed planning routing, scheduling, dispatching etc.
5. It is based on the principles of Right man for the Right job.

Taylor Scientific Management is based on the following principles of management.

1. Determining one best method of performing each work.
2. Scientific Selection and education of workers
3. Spirit of friendly co-operation between management and workers.

Elements of Scientific Management

According to Taylor the main elements of Scientific Management are.

1. Time study
2. Method study
3. Motion study
4. Fatigue study
5. Scientific selection of workers and their training
6. Rate setting
7. Simplification and standardisation
8. Scientific Task Planning
9. Mental revolution

Time Study

Time study may be defined primarily as the art of observing and recording the time required to do each detailed element of an industrial operations. Under this study time taken by men and machines for completing a task is analysed and standard time is arrived at. For arriving at the standard time allowance is made for rest and other necessary delays.

Methods study

Method study is preliminary survey of condition of production process in order to familiarize the analyst or investigator with the tools, methods and operations that are in process and their relation to each other. If there are any adverse conditions for production, they will be removed.

Motion study

Motion study is an examination of methods and movements of the operations. It is the study of movements whether of a machine or an operator, in performing an operation for the purpose of eliminating useless motions and of arranging the sequences of useful motions in the most efficient order.

Fatigue study

Under this study it will be found out how long a period of rest should be, and at what intervals rest should be given. Care should be taken to see that the period of rest should not be either too long or too short and similarly the intervals between rest periods should be reasonable.

Scientific selection and Training of Workers.

The problem involved in this combination are:

a. How to select workers?
b. What kind of people are suitable for the jobs to be handled by them?

c.   Is the selection to be made by a specialist?

d.   Determination of the selection procedure.

e.   Placement

f.   Proper employees training.

Rate setting

Taylor introduced his differential piece wage system. Under this system, the workers who perform the standard task within the prescribed time are paid a much higher rate than those who are not able to come up to the standard set.

Simplification and Standardisation

According to Allay, simplification is the policy of managers, the main object of which is to reduce unnecessary qualities and reduce unnecessary expenditure by removing the unnecessary qualities and types of daily uses. On the otherhand standardisation means setting of standards or measuring sticks by which the extend and quality, value and performance or service may be guided or determined.

Fields of Standardisation

1.   Product

2.   Material

3.   Tools and equipment

4.   Methods

5.   Quality

6.   Working conditions

Scientific Task Planning

Scientific Task Planning involves

1.   Routing

2.   Scheduling

3.   Despatching

4.   Functional Foremanships

5.   Follow-up

Routing determines what work will be done on a product, where how and by whom it is to be done. It establishes the operations, determines the part that the work will follow the sequence of operations, the proper class of machines to be used and the personnel, who will be responsible for the operation.

Scheduling involves the fitting of the specific jobs into a general time-table. So that orders may be manufactured in accordance with contracted liability. It is concerned with time when work shall be performed as a product or part thereof.

Despatching consists essentially of the issue of orders in terms of their priority as determined by scheduling. It includes the assignment of work to the operators at their machines or work places. Despatching involves the meeting of schedule by proper utilisation of machine, work places, materials as designated by the routing.

Taylor recommended that there should be functional foremanship even at the shop level where the workers have to produce goods. He further recommended that there should be the following staff.

1.   Route Clerk;
2.   Instruction Card Clerk
3.   Time Cost Clerk
4.   Shop Disciplinarian
5.   Gang Boss.
6.   Speed boss
7.   Repair Boss
8.   Inspector

Follow up serves as a catalystic agent to fuse the various separate and unrelated production activities into the unified whole that progress. It endeavours to see that the promise is backed by performance.

Mental Revolution

For maximising output, there should be a thorough change in the mental outlook of both the employees and employers and their hostility and suspicion should give place to cooperation. There is not clash of interests. Both would gain, if by their efforts, they make the enterprise prosper. The workers must change their attitude towards their work as well as their employers.

Merits of Scientific Management

1.   Under Scientific Management workers are selected for jobs according to their aptitude. This increases the efficiency of the worker and helps him to earn more.
2.   The workers are benefited by the training which is provided by the employees under scientific management.
3.   The workman is paid extra wages if he completes the work within the specified time and this creates incentive in the workers to be more efficient.
4.   There is no sweating of labour as every task is decided on the basis of a scientific study,
5.   The scientific management has developed a healthy cooperation between the workers and the employers.
6.   Due to effective control system, wastage of time is avoided.
7.   As scientific management implies high standard of performance of workers, there is possibility for raising the earning of workers, shortening the working hours, increasing the profits of management and reducing prices to consumers

Demerits of Scientific Management :

1.   This is very expensive from the point of view of producers.
2.   Replacement of this kind of management is very difficult
3.   If affects the health of the workers adversely.
4.   The workers who produce less than the standard output get lesser wages.
5.   In reduces employment opportunity
6.   It is opposed to the trade union movement
7.   Management gets more benefit than the workers
8.   It causes frustration among the workers
9.   Workers feel insecure and uncertain.

Henry Fayol

Henry Fayol was born in 1841 at Constantinople in France and graduated as a mining engineer in 1860 from the National School of Mining at St. Etienne. In 1960 he joined as an

Engineer in a company. Later he rose to the position of chief executive in a French mining and metallurgical company. He was the first man to advocate the view that management should and can be taught

According to Fayol, management was a process composed of five elements.

1. Planning
2. Organisation
3. Command
4. Co-ordination and
5. Control

Fayol's classification has been universally accepted.

Fayol's Contribution

Fayol analysed the process of management as he had observed it first hand. His conclusion was that all industrial activities could be subdivided into six groups.

1. Technical Activities (Production, manufacture adaptation)
2. Commercial Activities (Buying, Selling, Exchange)
3. Financial Activities (Search for and optimum use of capital)
4. Security Activities (Protection and Property of persons)
5. Accounting Activities (Stock taking, balance sheet, costs, Statistics)
6. Managerial (Administrative) Activities (Planning organisation, Command, co-ordination and control)

According to Fayol, the managerial activity was the most important and universal in all organisation.

General Principles of Management

Fayol evolved fourteen principles of management. These have become the modern principles of management. They are.

1. Division of work

Division of work or specialisation alone can give maximum productivity and efficiency. Factory system of production and our machinery of distribution are based on division of work. Both technical and managerial activities can be performed in the best manner only through division of labour and specialisation.

2. Authority and Responsibility

Authority and Responsibility are the two sides of management coin. They are complementary and mutually interdependent. Acceptance of authority implies acceptance of responsibility for the performance of assigned work.

3. Discipline

Discipline demand good superiors at all levels of management. There must be clear and fair agreement on the rules and objectives, on the policies and procedures. There must be penalties and fines for non-obedience or indiscipline.

4. Unity of Command

In order to avoid any possible confusion and conflict each member of an organisation must receive orders and instruction only from the superior or boss and he/she must be accountable to one boss.

5. **Unity of Direction**

All members of an organisation must work together to accomplish common or same objectives.

6. **Subordination of Individual Interest to General Interest**

Each shall work for all and all for each. General or common interest must be supreme in any joint enterprise.

7. **Remuneration**

Fair pay with non-financial rewards can act as the best incentive or motivator for good performances. Exploitation of employees in any manner must be eliminated.

8. **Centralisation**

There must be a good balance between centralisation and decentralisation of authority and power.

9. **Scalar Chain**

The unit of command brings about a chair or hierarchy of command linking all members of the organisation from the top of to the bottom. Scalar denotes this.

10. **Order**

Fayol suggested that there is a place for everything and everyone which ought to be so occupied. Order or system alone can create a sound organisation and efficient management.

11. **Equity**

Fayol perceive Equity as one of eliciting loyalty and devotion from personnel by a combination of kindliness and justice in managers dealing with subordinates.

12. **Stability of Tenure.**

Employees and managers must have job security. Security of income and employment is a pre requisite of sound organisation and management.

13. **Initiative**

Creative thinking and capacity to take initiative can give us sound managerial planning and execution of pre determined plans. Creativity springs from curiosity and imagination.

14. **Esprit de corps**

It is the foundation of a sound organisation. Union is strength. But unity demands co-operation. Pride, loyalty and sense of belonging are responsible for best performance.

Thus, Fayol viewed that Five functions of management six separate activities of an enterprise and fourteen principle constitute a complete theory of management.

Henry Lawrence Gantt

Gantt was a close associate of Taylor. He realised that the incentive wage plan of Taylor was too rigorous. The standard set for worker was too high. He introduced the task and bonus system which provided both security and incentive to the workers. This system is superior to Taylor's differential piece rate system as it is human in its operation.

He introduced a chart Gantt made four importat contributions to the concept of management.

1.   Gantt Chart to compare actual to planned performance.
2.   Task and Bonus plan for remunerating workers indicating a more humanitarian approach.
3.   Psychology of employee relations indicating management responsibility to teach and train workers.

4.   Emphasis on service rather than on profits.

Oliver Sheldon

He was a British industrial consultant and wrote "Philosophy of Management". He sought to formulate a theory of management as a whole and though of management in its broader sense, include the following.

1.   determination of policy and co-ordination of function
2.   the execution of policy and
3.   the process of combining the work of individuals or groups with the faculties necessary for its execution.

Many of the principles enunciated by Sheldon are similar to that of Fayol.

Human Relation Era

The management thinkers who contributed in this field are

1.   Mary Parker Follet (1868-1933)
2.   George Elton Mayo (1880-1949)

Mary Parker Follet

She applied Psychological and Sociological Methods for solving Managerial problems. Contribution of Follet are as follows.

1.   There should be Co-ordination between human efforts and the goals of the organisation.
2.   A person should not take or order another person. Both should agree to take order from the situation.
3.   Conflict may be constructive. The integration of ideas of both parties is the best way to solve the conflict.
4.   Leaders are not only born but through proper training in human behaviour they can be made also,
5.   Authority belongs to the job and stays with the job.
6.   The way in which the members of the group act towards each other and the over all impact of the group on individual member is important phase of the study of human relations.

George Elton Mayo

Elton Mayo emphasised the importance of human factor in a work situation. He and his associates conducted the famous Hawthorne studies during 1924-1932. There were four phases in the study.

1.   The illumination Experiments
2.   Relay Assembly Test group
3.   Massive interviewing programme
4.   The Bank wiring observation group

A.F. Stoner summons the contribution of Elton Mayo.

1.   Productivity is not an engineering function
2.   A true concern for people busy rich dividends
3.   People's Management skills as opposed to technical skills are necessary for a successful leader.

4.   Good inter personal and inter group relationship among the people are to be maintained to obtain productivity and gains.

Social Sciences Era

This era is marked by the development of human behaviour School and Social system school. The spiritual father of behavioural science was

1.   Chester I Barnard (1886-1961) other advocates are
2.   Rensis likert
3.   Doughlas Me. Gregor.

Chesterl Barnard

Chester I Barnard, in his book, the functions of the Executives, has observed that the executives carry on the entire process of management through three essential executive functions.

1.   Providing a system of communication
2.   Promoting the acquisition of essential effort and
3.   Evolving and defining the purposes and objectives of the organisation.

According to Chester I Barnard authority is the character of communication in a formal organisation by virtue of which it is accepted by members of the organisation. The organisation fails whenever they are not able to maintain authority.

He also discussed decision making process and suggested participation of employees at all levels.

Rensis Likert

Likert conducted extensive research in human behaviour. He has dealt in detail about he four basic styles of management.

i.   Exploitative authoritative. Under this style, management has no confidence or trust in subordinates, since they are seldom involved in any aspect of decision making process
ii.   Benevolent authoritative. Under this style the Management has condescending confidence in subordinates just as a master has in his servant.
iii.   Consultative : Under this style, the management has complete confidence and trust in subordinates.

Likert is a strong advocate of participative form of Management.

Dougles Mc. Gregor

In his book The Human Side of the Enterprise, he challenges the conventional Management approach which he calls as theory x. he described this as having negative assumptions about human nature such as Man does not like work, he lacks initiative and he wants to be directed and controlled. As against this he calls the approach of human relationists as theory Y which makes positive assumptions about human nature such as man like to work as much as play, man has initiative intelligence etc.

According to Mc. Gregor, it is the responsibility of Manager to create a situation in the organisation in which people like to work and give their best.

Management Science Era

Two schools of thought which developed during this period are

1.   The decision theory school
2.   The Mathematical School

Decision theory School

The basic thesis of the decision theory school is rational decision, that is the selection of a course of action or idea from a number of possible alternative and that

"The progress of an organisation is determined by the cumulative effect of thousands of decision made by managers at all levels".

Men like Robert Schlaifer and Herbert Siman belong to this School.

This school is also referred to as "Management Science', "decision science', "operation research" and "rationalistic Model' because the exponents of this school look at Management as a logical process.

Mathematical School

Mathematical School is closely related to the decision theory school.

The basic thesis of this school is that if Management involves a rational and logical pattern, the pattern can be best expressed through the use of mathematics which is also logically based. It makes use of such techniques as operational research, linear programming, queing theory and Model building. However it can not be treated as a separate school of management theory. At best it is a tool or aid to the Management

Modern Thinkers

Peter F. Drucker

He is a professor, management consultant and a great management thinker.

Drucker has viewed," Managing a business cannot be a bureaucratic, an administrative or a policy making job must be a creative rather than adoptive task. Hence introducing innovation is an important task of Manager".

Drucker has advocated decentralisation of function., It helps the Management to devote itself to its functions. Decentralisation defines the functions and responsibilities of the employees. It creates yard sticks to measure the effectiveness in jobs

The concept of Management by objective (MBO) is regarded as the major contribution of Drucker.

Systems theory

Herbert A Simon is the spiritual father of this school

Other Major contributors to this school of thought are DanierKata*

Rober L Kahn and

Richard A Johnson

Systems approach

The systems approach to management and organisation indicates a new stream of management thought under modern theory of management.

A system is defined as a set of regularly interacting or inter dependent components that go to constitute a united whole. A series of flows connects the components as provides the means by which the components interact with one another.

The systems have five . ential characteristics.

1.   Systems must have some specific components, parts, units or sub units which are called sub-systems of the system.

2.   Every system is encompassed, affected or influenced by a larger system which is called a supra system. The enterprise system for example is encompassed by the industrial system.

3.   All system along with their sub systems must have some common objectives for unifying the comprehends through their inter relationships.

4.   Systems are of such a complex character that a change in one sub system affects the other sub systems.

5.   All systems must receive inputs survive and these inputs must be processed into outputs at such a rate that they maintain liability of the system.

Contingency Theory

Important contributors to this theory include Tom Burns. G.M. STalker, Joan wood ward, Paul R. Lawrence, L.W. Lorsch, Victor H Vroom and Robert. J. House.

Contingency approach

Systems approach emphasises that all subsystems of an organisation along with the supra system of environment are interconnected and interrelated. Contingency approach analyses and understands these inter relationships. So that managerial actions can be adjusted to demands of specific situations or circumstances. Thus contingency approach enables us to evolve practical answers to the problems demanding solutions.

The basic idea of contingency approach is that there c not be a particular management action which will be suitable for all situations. Rather, an appropriate is one which is designed on the basis of external environment and internal states' and needs.

In all its operations, an organisation affects and is affected inturn by its environment. The environment is composed of persons, physical resources, economic and market conditions, climate, culture, attitude and law. The environment exercises a potent influence in the enterprise and sets opportunities and limitations for the organisation. As a result effective managerial principles and practices vary with environment in which the organisation operat. ⁻ ⁻ any generalisation of principles are not practicable.

According to this approach, the organisation structure, leadership, styles and motivation patterns are contingent on the task, technology and environment of the organisation.

Limitations of Contingency approach.

1.   Contingency approach has not adequately spelled out various types of action which can be taken under different situations.

2.   As per this approach, managers should do according to the needs of the situation. However when put into practice, this becomes very complex.

3.   Methodology is available for empirical testing but because of the involvement of too many factors, testing becomes difficult.

4.   Contingency approach is basically reactive and not pro active in nature. It merely suggests what managers can do in a given situation.

Study Assignments

1.   Give a brief account of the evolution of management thought from the early pioneers to the modern times.

2.   Assess the role of Taylor and Fayol in the development of management thought.

3.   What is Scientific Management? What are its contribution in Management.

4.   What are the contributions of Henry Fayol to management thought and practices?

5.   Discuss the contributions of Elton Mayo and Mary Parker Follet to the development of Management thought.

6.   Consider the principal focal points of Human Relations Era and Social Sciences Era and discuss the contribution of Chester I Barnard.

7.   Point out the recent trends in management thought. What is your view about the universality of management principles.

8.   What is system approach to organisation and management?

9.   Comment on contigency Approach to Management.

Chapter 4

Seven Concepts for Getting Results Through People

Mr. Raymong, G, Leon, an American Management consultant, in his book 'Manage More by Doing Less', has given the following concepts.

1.   Management by Communications (M.B.C)

2.   Management by System (M.B.S)

3.   Management by Results (M.B.R)

4.   Management by Exception (M.B.E)

5.   Management by Participation (M.B.P)

6.   Management by Motivation (M.B.M)

7.   Management by Objectives (M.B.O)

Management by Communication

Communication is process through which two or more persons come to exchange ideas and understanding among themselves. Since managing is getting things done through others, it is an obvious requirement that the manager must communicate with the members of his organisation. It has been estimated that a manager spends 90% of his time in communicating, either sending or receiving information. Communication is not a one way street, it is continuous and co-ordinated process of telling, listening and understanding. Information without understanding is an ineffective communication. Only with good communication, misunderstanding can be ironed out, long terms plans achieved and the various activities coordinated and controlled. The success of all managerial functions depend on successful communication.

Management by System

Under systematic management decisions are made on the basis of facts developed by a scientific approach. The management by system may briefly be summarised as

1.   Recognise the problem, analyse it and define objective.

2.   Gather and analyse the necessary date.

3.   Synthesize possible alternatives.

4.   Review and evaluate each alternative

5.   Test conclusion if possible

6.   Take selected actions

7.   Review results and, if necessary correct them

8   Formulate and test principles based on experimental results of many cases,

Management by system is a philosophy of management an approach to management problems whereby experimentation and analysis displace the blind acceptance of things traditional and conventional.

Management by Results

The essence of this concept is that management in industry deals broadly with control, i.e. with getting the work done through co-ordinating the co-operative efforts of people who have been properly organised into working groups, for the accomplishment of specified purposes. Progress and improvement can be evaluated only by a comparision of the condition before and after betterment has been made. This comparison is made by putting, side by side, earlier or later records expressed in the same terms and identical units.

In any measurement, there are four essential elements.

1.   Definition of the characteristic or quality to be measured.
2.   Selection of the standard for that characteristics or quality
3.   Determination of the units in which measurement is to be made and
4.   Creation of accurate means to compare the characteristic or quality of a product, with the selected standard.

Management by Exception

Management by exception is a system of identification and communication that signals to the manager when his attention is needed. The thesis of this concept is that by concentrating on exceptions from planned performance, controls base done the time honoured, exception principles allow managers to detect those places where their attention is required and should be given.

Management by exception has six basic ingredients

1.   Measurement:

It assigns values to past and present performances. This is necessary because without measurement of some kind it would be impossible to identify an exception.

2.   Projection:

It analyses those measurements that are meaningful to organisational objectives and extends them into future expectations.

3.   Selection:

It involves the criteria which management will use to follow progress towards organisational objectives.

4.   Observation:

It involves measurement of current performance so that managers are aware of the current state of affairs in the organisation.

5.   Comparison:

It makes comparison of actual and planned performance and identifies the exceptions that require attention and reports the variances to management.

6.   Decision - making:

It prescribes the action that must be taken in order to bring performance back into control or to adjust expectations to reflect changing conditions, or to exploit opportunity.

Thus it can be observed that management by expectations is inseparable from other management essentials in many ways.

Management by Participation

Management by participation is universally accepted as a means of motivation. The four important elements of this philosophy are.

1.   belief in the doctrine of trusteeship
2.   recognition that employee is not merely a means of production, but above all a hu man being first and always.
3.   realisation that as an employer one is more of a Giver' and less of a "Taker ' and
4.   that workers do not "want money

Once these basic principles are accepted by the employers, workers, instead of treating them as a hostile group of exploiters, would treat them as an indispensable part of themselves. The representatives of investors, workers, consumers and also the government constitute the board of decision-makes under participative management.

Management by Motivation

Motivation is an indispensable function of management. When a man is at work he cannot be forced to work like a machine. He is a human being who has dignity, self respect, values, sentiments, aspirations apart from the economic status. Under such circumstances the efficiency of the enterprise is related not merely to the efficiency of sophisticated machines installed but more importantly upon the satisfaction and the incessant and spontaneous desire of man to put his mind and hear into the work. This spontaneous urge to involve in work is not merely related to monetary awards and assignment of positions or the direction to perform the duty or even the fear of punishment but to the mechanics and system of motivation.

According to E.F.L. Brech "The problem of motivation is the key to management in action; and in its executive form, it is among the chief tasks of the General Manager. We may safely lay it down that the tone of an organisation is a reflection of motivation from the top"

Management by Objectives

Management by objectives is a process which ideally beings at the top of the organisation with the establishment of specific organisational objectives. Then at the second level of the organisation, managers working with their bosses, establish objectives to their department that are consistent with the organisation's objectives. This procedure is repeated down to the lowest-level managers in the organisation.

Management by objectives requires that, for several organisational levels, we should establish a hierarchy of objectives, and these are identified and wherever possible specified in the form of measurable goals. These measurable goals shall contribute to the overall product or service objective of the organisation. These goals need not stress particular methods and procedures to be followed. Such an approach is called management by Objective.

Definition

Koontz and others have defined MBO as follows.

"MBO is a comprehensive managerial system that intergrates many key managerial activities in a systematic manner, consciously directed towards the effective and efficient achievement of organisation objectives. Essential Steps in MBO Process

The MBO system can be said to comprise the following essential steps.

1.   **Setting Organisational purpose and objectives**

Usually the objective setting starts at the top level of the organisation and moves downward to the lowest managerial levels/This will go in a sequence like this.

a.   defining the purpose of the organisation

b.   long-range and strategic objectives

c.   short-term organisation objectives.

d.   divisional, departmental, sectional objectives.

e.   individual managers objectives.

2.   **Key Result Areas**

It may be emphasised that key result areas are derived from the expectations of the various shareholders and indicate the priorities of organisational performance. Examples of key result areas are.

a.   Profitability

b.   Market Standing

c.   Innovation

d   Productivity

e   Worker Performance

f.   Financial and physical resource

g.   Manager performance and

h.   Public responsibility

3.   **Setting Subordinate objectives**

The process of objective setting begins with superior's proposed recommendations for his subordinate's objectives. In turn, the subordinate state his own objectives as perceived by him. Thereafter the final objectives for the subordinates are set by the mutual negotiation between superior and subordinate.

4.   **Matching resources with objectives**

There should be matching between objectives and resources. By relating resources to objectives, a superior manager is better able to see the need and economy of allocating resources, The allocation and movement of resources should be done in consultation with the subordinate manager.

5.   **Appraisal**

Appraisal is undertaken as an on-going process with a view to find out deficiency in working and also to remove it promptly.

6.   **Recycling**

The three aspects involved in recycling process include.

a.   Setting of objectives at various levels.

b.   Action planning in the context of those objectives and

c.   Performance review.

This process goes on a continuous basis.

Benefits of MBO

MBO has a wide range of benefits. They are,

1. It helps in better managing the organisational resources and activities. Resources and activities are put in such a way that they result in better performance.
2. It lends to provide the key result areas where organisational efforts are needed.
3. It provides greatest opportunity for personnel satisfaction. This is possible because of two closely related phenomena.
a. Participation in objective setting and
b. Rational performance appraised.
4. It stimulates organisational change and provides a framework and guidelines for planned charge, enabling the top management initiate, plan, direct and control the direction and speed of change.

Thus it provides a basis for organisational change.

Problems and limitations of MBO

Some of the common problem in MBO are as follows.

1. It requires large amount of the most scarce resource in the organization, time of the senior managers. Hence it is time consuming.
2. It generates paper work because large number of forms are to be designed and put into practice.
3. It is the philosophy of managing an organisation in a new way. But Managers fail to understand and appreciate this new approach.
4. Setting of verifiable objectives is difficult atleast in some areas.
5. There is always a danger in emphasising short-term objectives at the cost of long-term objectives.
6. It represents danger of inflexibility in the organisation, particularly when the objectives need to be changed.
7. It creates frustration among managers because of two reasons.
a. Many organisations could not implement MBO properly resulting into utter chaos.
b. It tends to arouse high expectation for rapid change

Pre requisites for Installing MBO Programme

Some of the Pre-requisites for installing MBO programme in any organisation are given below.

1. Organisation should be very clear about the purpose for which it is being implemented.
2. Top Management support is essential for the successful implementation of MBO programme.
3. Systematic training is required in the organisation for disseminating the concepts and philosophy underlying MBO.
4. Success of MBO depends upon the Commitment on the part of each individual involved in this type of system.
5. Feedback is an essential ingredient in sustained learning and improvement in situation. As such feed back is necessary.
6. MBO should be implemented at lower levels also to realise the full benefits of this programme.

Study Assignments

1. Explain the concept of Management by Exception

2.   What do you mean by "Management by Objectives'. What are the different steps involved in it?

3.   Write short not on.

a.   Management by Communication (M.B.C)

b.   Management by Results (M.B.R)

4.   What do you understand by the term Management by System?

5.   Discuss briefly the concepts.

       a.   Management by Participation (M.B.P)

b.   Management by Motivation (M.B.M)

Chapter 5 and 6

Planning Function 1

This chapter cover.

       1. Fundamentals of Planning.

       2. Objects

Every human activity undertaken with a view to achieve something must be proceeded by planning. A student desires of securing good marks in the examination has to plan his study. All our activities undertaken individually or in groups, have the element of planning whether done consciously or unconsciously and whether elaborately or in brief outlines.

Managerial operations must be based on suitable and sufficient planning. It is the primary function of management. The chief function of Management is to attain the objectives of the enterprise. For this it has to plan not only in the beginning but through out the operations. Planning will involve deciding a course of action from amongst a number of alternative courses which would help the enterprise to achieve its objectives most expeditiously and economically.

Planning involves deciding in advance what is to be done, where how and by whom it is to be done and how results are to be evaluated.

1.   assessment of future

2.   determination of objectives and goals in the light of the future.

3.   the development of alternative courses of action to achieve such objectives, and

4.   Selection of the best course of action among these alternatives.

       Someone has said, "If you do not know where you are going no road will get you there". If this view is considered right, it is clear that individual and organisational activity without a plan is likely to be in effective.

Definitions

George R Terry

Planning is the selecting and relating of facts and the making and using of assumptions regarding the future in the visualisation and formution of proposed activities believed necessary to achieve the desired results.

MC Friend

Planning may be broadly defined as a concept of executive action that embodies the skills of anticipating, influence and controlling the nature and directing of change.

Koontz O' Donnel

'Planning is an intellectual process, the conscious determination of courses of action, the basing of decisions of purpose, facts and considered estimate".

Louis A Allen

"Management planning involves the development of forecasts, objectives, policies, programmes, procedures, schedule and budgets". Characteristics of Planning

The important characteristics of planning are as follows.

1. Planning is based on objectives
2. It concerns future activity
3. It is a mental activity
4. It is based on facts
5. It pervades all managerial activity
6. It is a primary function of Management and has close relationship with controlling.
7. It has a dynamic aspect i.e continuing function to Management
8. It is directed towards efficiency
9. Precision is the pre-requisite of planning
10. Planning is to be flexible and adoptable
11. Once plan is prepared, it should be communicated to all those concerned.
12. Planning involves six basic questions.
    i.   What is to be done?
    ii. Why should it be done?
    iii. Who will do it?
    iv. How will it be done?
    v.   Where will it be done?
    vi. With what resources will it be done?
13. Planning has close relationship with time
    a. Top level management decides the long term objective
    b. Middle level management decides the short term objectives
    c. Lower level management decides the immediate objectives
14. Planning is essential in decision making.
15. Planning involves eithical considerations also. It should take into account interests of the consumers, employees, state etc.

Types of Planning

According to the nature of planning some of its important types may be discussed as below.

1. Financial or Non-financial planning

Financial plans relate to the Monetary side of a concern. Non-financial plans relate to the physical resources of the concern.

2.   Formal or Informal Planning

More thinking is informal planning. But when the plans are reduced to black and white, they become formal.

3. **Specific or Routine planning**

Any plan for a particular purpose is known as specific planning1 but that which is Mechanical, may be termed as "routine planning".

4. **Profit Planning**

Specific efforts of every business to earn profit and may relate to profit planning.

5. **Short and Long-range planning**

The importance of a thing lies in its utility. The importance of planning can be emphasised by stating the following.

1. Planning focuses on the future directions, values and sense of purpose.
2. Planning provides a unifying decision making frame work.
3. Planning helps in identifying potential opportunities and threc '-
4. Planning provides performance standards.
5. Planning helps in tuning with the environment
6. The need for planning arise from constant change.
7. Planning brings economy in operations
8. Planning helps Motivation
9. Planning helps decision making

Advantages of Planning

The advantages of planning may be summarised below.

1. The business objectives can be easily secured through plans because planning enables a purposeful and orderly set of activities instead of random action.
2. It provides co-ordinated effort and reduces risks and uncertainties.
3. Planning facilitates the process of decision making.
4. Planning helps the Management to implement future programme in a systematic manner so that the Management may get the maximum benefit out of the programme chalked out.
5. With the rapid growth of technological development, it is essential for a Manager to keep aware of the latest technology, otherwise the products are likely to get obsolete. Planning helps in this process.
6. Planning leads to budgeting and budgeting leads to budgetary control.
7. It leads to large scale economics by avoiding waste of Men, Money, Material and Machinery.
8. It encourages the sense of involvement and team sprit.
9. It is the essence of all management activities.
10. A greater utilization of resources and available facilities can be made because of planning. This reduces costs and results in higher profitability

Problems of Planning

The basic questions that are to be answered in framing a plan are seven.

1. Why is the particular action necessary?

It relates to the purpose of choosing a particular course of action.

2. What is to be done?

It indicates the different stages of the activity, their detailed analysis, their sequential arrangements and so on.

3.   Where will it be done?
4.   When will it be done?
5.   Who will do it?
6.   With which will it be done?
7.   How will it be done?

Limitation of Planning

Although planning is pervasive and primary function of Management and it has many advantages for the organisation, in actual practice, there are many barriers and limitations of planning. Some of the limitations are:

1. The basic assumptions and the facts on which planning is based may not come to be true.
2. The assumptions, on which planning is based may not hold good and the conditions under which plans are being implemented may differ from the assumed conditions.
3. Planning is time consuming. Availability of time is a limiting factor of planning. Sometimes it causes delay in taking actions,
4. Planning is a costly process. A good deal of time, energy and money is involved in gathering of facts and testing of various alternatives.
5. Mental attitude of Management can he a serious limiting factor to planning. Some persons are psychologically opposed to planning as they consider the present more important than the future.
6. Procedural and policy rigidities also prove to be a hindrance to planning.
7. Capital invested in the fixed assets may be a serious limitations to planning.

There are some external constraints on planning also, over which the Manager has little or no control at all. The environmental forces that influence planning strategy may be scientific, technological, economic, political, ethical, legal and social.

Characteristic of a good plan

Generally, a good plan should have the following features:

1. The objectives should be clear.
2. The measures of achieving them i.e., the course of action is clearly laid down.
3. They are easy to understand and practical to put into operations.
4. Every plan should be time bound. It should allow a reasonable period of time for the targets to be achieved.
5. It should specify the amount of resources to be used.
6. The plans should involve the subordinates. This will arouse more active participation in fulfilling the targets. The workers would not feel that the plan is imposed or thrust on them,
7. The plan should be very well communicated.
8. It should designate executives responsible for carrying them out.
9. The plan should be sufficiently flexible to allow changes in view of future developments.
10. It should incorporate the departmental plans

Steps in planning

The steps involved in planning may be outlined below:

1.   The first step in planning is a statement of the objectives to be achieved by the enterprise.

2.   A second step in planning is to establish, obtain agreement to utilize and disseminate critical planning premises.

3.   The third step in planning is to search for and examine alternative courses of action.

4.   The fourth step is to evaluate the alternative courses of action by weighing the various factors in the light of premises and goals.

5.   The fifth step, selecting the course of action, is the point at which the plan is adopted.(the real point of decision making).

6.   The final step is the formulation of the derivative plans

Suggestions to avoid failure of planning

The important suggestions to avoid failure in planning are as follows:

1.   Avoid serial planning if possible.

2.   Do not start the second range of planning until the first stage is finished.

3.   Try to have parallel planning with lots of cross checking; and

4.   See that all plans are forwarded at the same time.

Planning under systems Approach

Planning occurs at three different levels under the systems approach to Management.

1.   Master Planning council under the chief executive will be in charge of top level planning.

2.   Resource allocation committee representing Middle level Management group will be in charge of allocation of man power and facilities for each sub system.

3.   Each project manager is represented on the operations committee which is incharge of operational plans and programme.

Thus we have integrated planning on a systems basis at the project level within the organization

Planning levels

Broadly speaking we have three managerial levels and at each level we have a distinctive planning function.

1.   Top Management.

2.   Middle Management.

3.   Lower Management.

Top Management	Strategic plans	
	Objectives	Long-range
	Long-range plans	plans
	Policies	
	Administrative plans	
Middle Management	Organisation	Medium range
	Motivation	plans
	Managerial	
	Control	
	Operating plans	
Lower Management	Rules	Short-range
	Methods	plans

Planning Levels in an Organisation.

Types of Plans

The following figure gives a vivid picture of the hierarchy of plans summerising **different** types of plans.

	Mission or Purpose	Reason for existence of an organization
	Objectives	Something as an end
Broad Overall plan		towards
for reaching		which action or desire is
	Strategies	
A goal or a		directed
Decisive advantage		

Standing Plans (to be used over and over again)	Policies
	Proceedings
	Method

Single use plans (to be used in a specific situation only)	Programmes
	Projects
	Schedules
	Budgets and Standards

-Types of Plans-

Missions

It will act as a reference point in our risky journey in the business world. It is the central guiding concept answering basic questions.

What business are we in?

What will our business be?

Who are our customers?

Why should society tolerate our existence? and so on.

If you have the right answers to these questions your success in business, is assured. Your existence is also justified.

Purpose of Mission of a business

The purpose is of two fold.

1. Production and distribution of economic goods and services to serve the customer demands and

2. Provision of employment and income through which the citizens can buy their commodities and services.

Objectives

Objectives are goals or aims which the Management wishes the organisation to achieve. The objectives are the ideas and statements which give necessary direction and goal be

achieved. Formulation and definition of objectives of an organisation is the basic requirements of effective Management.

Definition

In simple way objectives may be defined as the end results which an organisation tries to achieve.

Mc.Farland

Objectives are goals, aims or purposes that organisations wish to achieve over varying periods of time.

Terry

"A managerial objective is the intended goal which prescribes definite scope of suggested direction to efforts of a Manager".

Features of Objectives

Objectives have the following features:

1. Objectives must be pre determined.
2. They must be stated in a written form.
3. They should be within the reach of the organisation.
4. They must be measurable (e.g.) how much profit a Manager should earn.
5. The objectives can be constructed into a hierarchy (e.g.)

   Overall objective

   Major objective

   Divisional objective

   Departmental objective
6. The objectives also form a net work i.e. they are inter connected and mutually supportive.
7. They are usually multiple objectives.
8. We have also Short range, Medium range and Long range objectives.

Importance of the Objectives.

Importance of the Objectives can be highlighted by the following.

1. They are of vital importance in planning.
2. They make the integration of activities possible, so that the purpose is served.
3. They provide a yard stick with which performance can be measured.
4. They provide a force to motivate the workers.

Guidelines for framing objectives

1. Objectives should be specific. They should be attainable targets not based on fond desires or hopes or expectations, but on logical facts.
2. Objectives should be realistic.
3. Objectives should take into account the existing economic environment,
4. They should be based on future outlook or resources government policy, competition
5. Planning should be flexible.

Benefits of objectives

Once our objectives are chosen and stated precisely we have the following benefits.

1. Objectives will provide direction for the enterprise efforts.
2. They serve as means of motivation. Monetary rewards used in industry are good examples of motivation.
3. Objectives and goals facilitate purposeful and integrated planning,
4. Unproductive work can be avoided when the work is goal oriented or purposeful.
5. Operating goals or standards can be set up in the detailed plan and these can be used as building blocks in developing programmes.
6. Objectives and goals act as a sound basis for developing administrative controls.
7. Objectives contribute to the Management process.
8. They are the basis of a Management philosophy (e.g.) Management by Objectives.

Types of Objectives

Objectives are of two types

1. External Objectives
2. Internal Objectives.

External Objectives

The important external objective of any business enterprise is a service objective -to serve the needs of a customer. A business must fulfill the expected responsibilities to the community, society and government in addition to its basic responsibility to the customer.

Internal Objectives

1. Overall position of the firm in a competitive market

It may aim at maximum profitability.

It may aim at greatest growth rate.

It may aim at market leadership.

2. Responsibility to its employees

It is the objectives of offering maximum service and satisfaction to its employee.

3. Responsibility to its shareholders

It must have the objective of economic performance and profitability to offer fair return on the shareholders investment.

Statement of Objectives

Most companies may have the following objectives.

1. Higher productivity.
2. Customer service and satisfaction
3. Employee welfare.
4. Organisational efficiency and stability.
5. Organisational survival and growth.
6. Profit maximisation.
7. Social Responsibility.
8. Industrial or market leadership.

Hierarchy of objectives

It corresponds roughly with the structure of the organisation.

1. **Mission or Purpose**
2. **Overall Objectives**
3. **Main divisional**
   objectives
4. **Main departmental**
   objective
5. **Sectional Objectives**
6. **Work group Objectives**
7. **Individual Objectives**

1. What is our Business ?
2. Customer Oriented
   profitable growth
3. 20% return on investment
4. Two lakhs units to be
   produced by January and
   sold by January
5. Efficient use of resources
6. Team Spirit or Team work
7. Willing Co-operation and
   achieving

Difficulties in framing objectives

1. Difficulties arise in defining their objectives clearly. Too general a description will not be very helpful.
2. Idealism will play a role in framing the objectives and they may be put too high.
3. Conflicting interests will have to be resolved in framing of objectives.

Study Assignment

1. What is planning? Assess its role in Management.
2. Evaluate the importance of planning in Modern business.
3. Summarise the essential elements of good planning. Are there any limitations of planning? If so, how can they be overcome?
4. "Planning is looking ahead and control is looking back*'. Comment.
5. What are the features of a good plan?
6. What is Mission or purpose? What is its role?
7. What are the feature of Objectives? What are their benefits?
8. What is the concept of hiearchy of objectives?
9. What do you mean by the objectives of an organisation? How do you clearly define objectives help in Managing the Organisation?
10. Give your reactions to the statement "Planning is the foundation of Management".

Chapter 7& 8

PLANNING FUNCTION

It covers

    (1) Policy and Strategy

    (2) Decision Making

Policy

Meaning

A policy is a general standing plan guiding management the conduct of enterprise management operations. It guides thinking decision-making and action in the organisation.

Policies are statements of those principles and rules that are set up by the executive leadership as guides and constraints the thoughts and action of the manager at different levels in

organisation. A policy is a guiding decision by the manager which guides the organisation to deal with a particular situation in a particular manner.

Definition

Harold Koontz

Policies are general statements or understanding that guide thinking in decision making.

Brech

He described policy as – 'a pattern of direction for the guidance of those who carry responsibility for the management of the activities of the enterprise'.

Louis Allen

He defines policy as a continuing decision which applies to repetitive situations'.

Thus, a policy is a standing plan which guides managers at all levels and in all departments in taking decisions on problems likely to come up in the course of working.

Characteristics of Policy

The important characteristics of a policy are as follows:

1. It is a guide to thinking in decision-making. Policy is not a decision by itself. It allows some amount of discretion on the part of the manager.
2. It lays down the limits within which decisions are to be made.
3. It lays down the course of action selected to guide and determine present and future decisions.
4. The policies are generally framed by top level management. However they may originate at any other level of organisation.
5. A policy does not remain valid for all the time to come.

Importance of formulating policy

The importance of formulating policy is highlighted in the following way.

1. Policy ensures that there will be no deviation from the planned course of action,
2. It ensures consistency of action and uniformity of performance throughout the organisation.
3. It provides guidance to thinking in decision making.
4. It delimits the area within which a decision is to be made.
5. It is helpful in delegation of authority
6. It saves time and effort by pre-deciding problems.
7. It facilitates coordination of action.

Limitations of Policy

The various limitations of policy are as follows

1. Rigid and inflexible policies may make the job of operating people difficult.
2. Sometimes policies are ambiguous and not well defined.

Characteristics of a good policy.

1. A good policy will be one which is formulated after a careful study of all the aspects of a problem or situation.
2. It should be capable of being applied to different situations. This will be possible if it is based on facts and sound judgement.

3.   A policy should be indicated in outline so that room is left for the manager to use his discretion. It should be like a sketch in which the rest of the filling or colouring is to be done by the executives.

4.   A policy should not be contradictory to any other policy in the same organisation. If it be so, it will defeat its own purpose.,

5.   A good policy should be correlated to the objectives. In fact, their purpose is to help the enterprise move towards its goals effectively and speedily.

6.   Policies should not be rigid. Although problems are repetitive in nature yet two problems are never exactly similar. Therefore, they should be sufficiently flexible.

7.   A good policy should be simple, so that it is understood even by an ordinary worker of the enterprise.

8.   Policies should conform to the theoretical principles of economics, auditing, accountancy and public conduct.

9.   A good policy builds up the image of the enterprise. It should exhibit rational approach and enlightened thinking.

Classification of Policies

Business policies may be classified on different bases. Some of these are:

1. On the basis of source

On this basis it may be divided into originated, appealed, implied and externally imposed policies,

a. Originated policies

These are polices which are usually established formally and deliberately by top managers for the purpose of guiding the actions of their subordinates and also their own. These policies are generally set down in print and embodied in a manual.

b. Appealed Policies

It is formulated when a subordinate refers an exceptional problem not covered by existing policies to his superior and appeals for a policy decision, When decisions are made by the superiors they become precedents for future action. Thus such a policy flows upward.

c. Implied Policies

These are policies which are stated neither in writing nor verbally. Such policies are called implied policies. Only by watching the actual behaviour of the various superiors in specific questions can the presence of the implied policy be as certained.

d. Imposed policies

It is a policy that is imposed by some external force like the government trade union or a trade association.

2. On the basis of Functions.

On the basis of business functions, policies may be classified into

      a.   Production policies

      b.   Sales policies

      c.   Finance policies

      d.   Personnel policies etc.

3. On the basis of organisational levels

According to the classification the policies may be classified as

    a.   top management policies
    b.   divisional policies
    c.   departmental policies
    d.   sectional policies etc.

4. On the basis of written or not

They are classified as

    a.   Written policies and
    b.   Verbal policies

Alford and Beauty have classified industrial policies as follows

1. Top management policies
2. Upper middle management policies
3. Middle management policies
4. Foremen policies
5. Operating force policies
6. Sales policies
7. Production policies
8. Research policies
9. Financial policies
10. Costing Policy
11. Accounting policy
12. Marketing policy
13. Promotion policies
14. Product policies

Strategies

The concept of strategy is used frequently in Military Science, it means they are of so moving or disposing the instruments of warfare (troops, ships, aircraft etc.) as to impose upon the enemy the place, time and conditions for fighting by one self. However in organisations, it is used in different forms. A business enterprise operates in a competitive environment. The business executive may have to bring a change in company plans and policies in accordance with the tactics adopted by competitors. The shift is made in the policies and plans already formulated to meet a particular situation. This we call strategies.

Definitions

Learned at all have defined strategy as follows;

"Strategy is the pattern of objectives, purposes, or goals stated in such a way as to define what business the company is in or to be in and the kind of company it is or is to be".

Mc. Farland defines strategy" as executive behaviour whose purpose is to achieve success for the company or personal goals in a competitive environment, based on the actual or probable actions of others".

Strategy is the determination of organisational objectives in the light of environmental variables and determination of course of action and commitment of organisational resources to achieve those objectives.

Features

Important features of strategy are

1. Strategy is the action of relating to the organisation with its environment.
2. Strategy is the right combination of factors both external and internal.
3. Strategy is relative combination of actions.
4. Strategy may involve even contradictory actions, since it needs revision of action according to changing environment.
5. Strategy is forward looking.

Procedures

Meaning

Procedures and plans establish a method for handling future activities. It guides in detail the exact manner in which an integrated series of activities will be performed, when they will be performed, in which order they will be performed and preferably by whom they are to be performed.

Definition

According to terry "A procedure is a series of related tasks that make up the chronological sequence and the established way of performing the work to be accomplished.

Characteristics of a Good Procedure

1. Procedure should be consistent with the objectives and goals of the enterprise.
2. It should be within the broad area of policy laid down by the top management.
3. It should be based on relevant facts.
4. It should be the best alternative of accomplishing a particular activity.

Advantages of Procedure

1. Procedures ensure a high level of performance in the organisation by indicating one standardised way in which the jobs can be done.
2. Procedure are established after a thorough study and analysis of the work hence they often lead to work simplification and elimination of unnecessary steps and overlaps.
3. By outlining a well thought out course of action, procedures make the work of managers and their subordinates equally productive of high results.
4. Procedures help to exercise an effective control over work performance because they define individual tasks with their chronological sequence and timing.
5. Procedures promote the efficiency of employees by pointing out the complete phase of work.

Disadvantages of a procedure

1. Procedures may be based on guess work and not on relevant facts.
2. It may be laid down without careful analysis and study of the activity involved.
3. Procedure limit individual freedom and judgement on the part of operators and thereby they kill the initiative of employees.
4. Outdated procedure lead to the introduction of rigidities in operations and of delay in work performance.

Methods

A method is also a standing plan more specific in scope than a procedure.

Methods are work plans describing in detail the manner and sequence of performing the individual tasks needed to complete given assignment. A method influences the behaviour of an

individual.

(e.g) there is prescribed method of completing an employment form.

In scientific management - "One best Way1

i.e, a standard method was devised to perform a given task.

Methods are specific and are stated as a guide to direct the actual performance of individuals in a particular step of a procedure. It describes how one particular step of procedure is to be performed.

Methods involves one department and one person, while a procedure may involve many departments and many persons in an organisation.

Rules

Like a procedure, a rule is a guide to action. A rule tells us that a definite action will be taken or will not be taken with respect to a given situation.

When for instance, it is laid down by the authority in a company that an employee will be granted casual leave for not more than 12 days in a year, or earn leave for one month in a year may be taken as rules.

Thus rules do not leave any scope for discretion on the part of the subordinates. They are definite and rigid.

The rules are also standing plans, as they prescribe in advance what is to be done or not be done in specific situations.

A rule may be a part of procedure, a standard method or even a policy.

Programs

A programme is a sequence of activities designed to implement policies and accomplish objectives. It gives a step by step approach to guide the action necessary to reach a predetermined goal. Programs must be closely integrated with objectives. They may be combined with budgets. Schedules are often combined with programs to provide a chronological sequence of activities.

Features of Programes

1. It is single use but a comprehensive plan
2. It shows the principal steps designed to implement policies and accomplish set objectives.
3. It is guided by the organisation objectives and strategies and covers many other types of plans.
4. It gives guided by the organisation objectives and strategies and covers many other types of plans
5. It gives a step by step approach to guide action necessary to reach the pre determined goals.
6. It is an instrument of coordination.
7. A good programme ensures smooth, efficient and integrated operations.
8. They require systems thinking and action as they involve integrated and coordinated Planning efforts.

Basic Steps in Programming

There are six basic steps in programming. They are:

1. Divide into steps the activities needed to achieve the objective
2. Note the relation between steps and ensure their sequence in operations.
3. Decide who is responsible for performing each activity and who is accountable for each step.
4. Determines the resources required for each step. Usually we will need materials finance facilities and personnel.
5. Assign definite dates for each part of a programme.

Project

A project has some features of a programme. It is defined as any scheme or a part of a scheme for investing resources which can be analysed and evaluated or appraised as an independent unit.

A project or a scheme can be sub divided into parts for separate consideration and each of these parts would be a project if it can be analysed and evaluated as an independent unit.

A project is therefore, a work plan devised through scientific investigation and analysis to achieve a set objective within a certain period.

Features of a Project

1. Project is a scheme or a part of a scheme for investing resources.
2. The scheme can be analysed and appraised as an independent unit.
3. The schemes/activities are interconnected.
4. The scheme or proposal has defined aims and objectives
5. It is one time cash programme or a single use plan.
6. It has a precise time table with starting and finishing time.
7. It is a work plan devised through scientific investigation and analysis by a competent team of specialists.
8. It needs feasibility and appraisal studies so that the sponsor's sweet dream becomes realisable.

Condition favourable for Project Organisation

A Project approach is preferable when

1. When the work is complex and not routine
2. We need higher level of employment skills
3. We need oneshot activities and it is a none-time crash programme and we have a deadline for the completion of project work.
4. High cost is involved and
5. We need continuous collaboration of specialists to formulate and appraise project.

Stages in Project Formulation and Appraisal

There are seven stages

1. Feasibility Analysis - to know the desirability of proceeding further and investing time, money and energy in pre-investment studies.
2. Techno-Economic Analysis - This will indicate technical and economic require ment of the project and will offer the project on individuality.
3. Project Design - It is concerned with the detailed with plan of the project and its time table.

4. Input Analysis - to identify the resources (inputs) needed and their quantities qualities, and costs throughout the effective project life.
5. Financial Analysis to evolve a project which is financially variable and sound.
6. Social cost Benefit Analysis - to consider the total costs (economic and social) which will be associated in our project development programme.
7. Project appraisal is undertaken on the basis of consolidated results of the aforesaid analysis or investigation studies.

Schedules

A budget is a plan expressed in quantitative terms. It is a statement of expected results always expressed in numerical terms. Hence it is called a numerised plan. It can be expressed in financial or in any other terms. Usually we have money budgets expressed in monetary units.

A budget is an appraisal of expected expense projected against anticipated income for a certain future period.

The term budgeting is used to indicate controlling based on a budget.

Characteristics

1. A Budget plays a dual role. It is both a planning instrument and a controlling device
2. Usually there will be a separate budget for each unit acting as profit centre and a budget for the entire organisation.
3. A budget covers a specific period usually a fiscal year. But one may have monthly or quarterly budgets also.
4. Budgets are expressed in financial terms as most values are expressed in money in the modern economy.

Components of Master budget

1. Sales budget
2. Advertising and sales promotion budget
3. Production budget
4. Materials budget
5. Cost budget
6. Personnel budget
7. Equipment budget
8. Cash flow budget and
9. Profit budget

Standards

The term standard can have general or specific meaning.

In general sense, all plans are considered as standards.

In specific sense, a standard is a norm or criteria against which performance is compared or evaluated.

Thus a standard is a guide for performance evaluation. Performance result standard constitutes an integral part of the central function of management.

Standards are in quantity, quality time and cost. Objectives become standards of performance when they are expressed in measurable terms.

Chapter 8

Decision Making

Decision making is an essential part of modern management. Making decision involves choosing between alternative courses of action. It is for the manager to decide which course will be most appropriate for a given situation. Decision making is a process and decision is the product of such a process .

Definition

R.S. Davar

'Decision making can be defined as the selection based on some criteria of one behaviour alternative from two or more possible alternatives".

Haynes and Massie

A decision is a course of action which is consciously chosen for achieving a desired result".

Trewatha and Newport

"Decision making involves the selection of a course of action from among two or more possible alternatives in order to arrive at a solution for a given problem".

Characteristics of Decision making

The important characteristics of Decision making are as follows.

1. Decision making implies a choice, choosing from among two or more alternative courses of action.
2. It is continuous process that pervades all organisation activity
3. The process is human i.e, a kind of intellectual activity.
4. The process of choice among two or more possible alternatives is aimed at a solution for a given problem.
5. Rationality is another characteristic of decision making.
6. It may be negative and may just be a decision not to decide.
7. There is also the concept of commitment in every decision.
8. Decision relates the means to the end

Types of Decisions

1. **Programmed and Non-Programmed decisions**

   The programmed decisions deal with the routine and or repetitive types of problems and the non-programmed decisions are caused by unstructured problems for which there is no easy solution,

2. **Major and minor decisions**

   If a decision relates to the purchase of a big machine worth, say a lakh of rupees, it is a major decision. One the other hand, purchase of fountain pen ink or a few reams of paper are minor matters and may be decided by the office superintendent.

3. **Routine and strategic decisions.**

   Routine decisions are those which require little deliberations or those which are made repetitively. On the other hand strategic decisions relate to policy matters and usually involve large investments or expenditure of funds.

4. **Policy and Operating decisions**

   Whether to give profit bonus to employees or not is a matter of policy to be decided by the top management, but calculating the bonus in respect of each employees is an operating decisions which can be taken at a much lower level.

5.   **Organisational and personal decisions**

Organisational decisions are those decisions taken by the executives in the official capacity. On the other hand personal decisions relate on the executive as an individual and not a as member of an organisation.

6. Long term, departmental and non economic Decisions

If the period covered is long, it is called long term decisions. Departmental decisions are taken by the departmental heads and relate to the departmental only. Decisions relating to non economic factor, such as technical values, moral behaviour etc. may be termed as non economic decisions.

Steps in Decision - making

The decision making task can be divided into six steps. They are

1.   Making the diagnosis
2.   Analysing the problem
3.   Searching alternative
4.   Selecting the best possible solution
5.   Putting the decision into effect
6.   Following up the decision

Making the diagnosis

It is to be realised that a problem is half solved when it is well defined, and it is very hard to search for a correct solution of an incorrect problem. If the problem is not ascertained correctly at the beginning, money and effort expended for the decision over a wrong problem are sure to go in waste.

Analysing the problem

The problem should be thoroughly analysed to find out adequate background information and data relating to the situation. This analysis may provide the manager with some revealing circumstances that help him to gain an insight into the problem.

Searching alternative solutions

The analysis of the problem can never become thorough and satisfactory unless attempts are made to search for serval alternatives. The practice of developing alternatives is the best guarantee for ensuring an adequate attention on the part of managers. It also avoids bottle necks to operation consequent upon the failure of one decision in the enterprise, since alternative decisions can be put into effect without delay.

Selecting the possible solution

Four criteria have been suggested by Director in selecting the best solution. They are

1.   The proportion of risk to the expected gain.
2.   The relevance between the economy of effort and the possibility of results.
3.   The timing considerations that meet the needs of the situation and
4.   The limitation of resources.

Putting the decision into effect

Even the best decision may become inoperative due to the opposition of employees. The decision can only be made effective through the action of other people to overcome the opposition or resistance on the part of employees, the managers must take necessary preparations for putting the decision into effect. There are three important things relating to this preparation viz. communication of decisions, securing employee acceptance and the timing of decisions.

Following up the decisions

Some times wrong decisions may arise from the limited capacity of the manager himself. Any active and responsible manager is bound to make some incorrect decisions along with his frequently correct decisions. As safeguard against this incorrect decision, however, the managers are required to institute a system of follow up to decisions so as to modify them at the earliest opportunity.

Bases for Decision making

There are six important bases for decision making. They are:

1. EXPERIENCE is the most important and valued basis utilized for making rapid decisions.
2. AUTHORITY provides another important basis for enabling managers to take swift and sound decisions.
3. FACTS provide the solid basis for decision making.
4. INTUITION is the residuary basis for covering up deficiencies in other three bases of decision making.
5. RESEARCH and ANALYSIS are the most effective basis for choosing among alternatives.
6. EXPERIMENTATION provides another means by which various alternative can be evaluated.

Decision Tree

Decision Tree is a graphical method for identifying alternative actions, estimating probabilities and indicating the resulting expected pay off. This graphical form visually helps the decision maker view his alternatives and outcomes. Instead of compressing all the information regarding a complex decision into a label decision maker can draw a systematic representation of the problem that displays the information in more easily understandable fashion.

As branches spread out in different directions from the trunk of trees, so any complex problems requiring multi-stages sequential decision are better analysed through decision-tree diagrams.

Theories of Decision - Making

1. Marginal Theory

This theory has been propounded by the economists. It lays stress on the maximisation of profit. The profit would be the maximum only when the marginal costs of inputs are equal to marginal revenues from outputs. Marginal cost represents the additional cost which is incurred for taking one additional output. Similarly marginal revenue is earned by selling one additional unit of output.

2. Mathematical Theory

According to this theory decisions are based on mathematical models. This approach is used by large size concerns where decision making problem is very complex. Various techniques such as venture analysis, games theory,, probability theory, waiting theory, linear programming etc. are utilised for decision model building. It is also known as Operations Research Theory.

3. Psychological Theory

This theory is based on the principle of maximisation of customer satisfaction rather than profit - maximisation. Here manager is not an "economic man' but an "administrative man1. The former emphasises on profit while the later selects good enough alternative which combines various things. In an industrial enterprise the best manager would be one who integrates economic and other factors while taking a decision,

Common Difficulties in Decision - Making

Some common difficulties faced in making decisions and implementing them are as follows:

1. Incomplete information leaves a manager a drift in a sea of uncertainty.
2. Unsupporting environment both physical and organisation that prevails in an enter prise affects both the nature of decisions and their implementation.
3. Non acceptance of decision by subordinates will affect its effective implementation.
4. Ineffective communication of decisions makes the implementation difficult.
5. In correct timing will not serve any purpose. This will affect the profitability of the concern.

Study Assignment

1. Explain what you mean by originated appealed and imposed policies How are the policies classified from other approaches?
2. Discuss the nature, importance and limitations of policies in managing.
3. Distinguish between the strategy and policy. Give your suggestions for making policies effective.
4. What is the difference between a policy and a procedure? Should policy be permanent or subject to ready changes.
5. Define programme. What are the features? Mention the basic steps in programming.
6. Write notes on
    a. Projects
    b. Schedules
    c. Budgets
    d. Standards
    e. Methods
7. Discuss the importance of decision - making in business.
8. Analyse the basic steps in decision - making along with the steps necessary for the execution of such decisions.
9. Carefully examine the different administrative problems in decision making.
10. Decision making is the primary task of the manager". Discuss and explain the process of scientific decision - making.
11. What do you mean by the terms 'Decision Tree'?

Chapter 9

Organisation -I

1. Organisation theory, Principle and Informal organisation.
2. Span of Control and Departmentation.

With a view to getting things done by others, management is required to pay attention on organising personnel and their work. Organisation provides the means or avenues along with efforts are directed for making such joint effort more productive effective and fruitful result.

The term Organisation is viewed in two ways:

1. Organisation is structure manned by a group of individuals who are working to gether towards a common goal.
2. Organisation is a process of wielding together a frame work of positions which can be used as a management tool for the most effective pursuit of the goal of an enterprise.

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.

Chaster I Bernard
Organisation is a system of cooperative activities of two or more persons.

Oliver Sheldon
" Organisation is the process of combining the work which individuals and groups have to perform with the faculties necessary for its execution that the duties so formed provide the best channels for efficient, systematic, positive and coordinated application of available efforts".

Thus organisation is the process of creating a structure by grouping the activities of an enterprise and establishing authority, responsibility and relationship among the specialists for the attainment of defined objectives.

Aims of Organisation
1.   Optimitm use of human skill and efforts
2.   Coordination of human efforts
3.   Defining individual role in the enterprise
4.   To achieve orderly and smooth functioning.

Importance of Organisation
The importance of organisation can be understood from the following advantages.
1.   A properly designed and balanced Organisation facilitates administration.
2.   A good organisation structure facilitates growth and diversification.
3.   It provides for optimum use of technological improvement.
4.   It encourages use of human beings.
5.   It stimulates creativity.

Formal and Informal Organisation
A formal Organisation is one which is drafted by the top management. It is the organisation structure which defines everything clearly and explicitly. The individuals involved in the enterprise are assigned responsibilities for the performance of certain tasks and given the required rights and facilities for it.

The informal organisation refers largely to what people do because they are human personalities to their actions-in terms of needs emotions and attitudes, not in terms of procedures and regulations. In the informal organisation, people work together because of their personal likes and dislikes.

Steps in Organisation
The following are the steps involved in Organisation.

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

2. Grouping 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. They are grouped on the basis of customers or process or geographical area.

3. Allocation of fixed responsibility to define persons.

Here specific job assignment, are made to different subordinates for ensuring a certainty of work performance.

4. Delegation of Authority

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

Organisation Theory

The different theories may be grouped under three broad categories.

1.   Classical Theory
2.   Neoclassical Theory and
3.   Modern Theory

1.   Classical Theory

This theory deals with the anatomy of organisation It deals with the problem of organisation simply as what it should be. It has its origin in the writings of Taylor. However main ideas of this theory have been developed by Money, Brech Allen and Urwick. This theory completely ignores the human aspects of organisation and deals exclusively with the formal structure that should be in an organisation.

There are four key pillars around which classical organisation theory seems to have been built. They are.

a.   The Division of Labour
b.   The Scalar and Functional (Horizontal) Process.
c.   Structure
d.   The Span of Control

2.   Neoclassical Theory

Important contributors include Elton Mayo Kurt Lewin, George Homans, Douglas Me. Gregor and Resis Likert. The Neo classical theory is identified with the human relations movement. It has introduced the human relations approach in the classical theory of Organisation. The four postulates of classical theory namely the division of work sealer functional process, structure and the span of control are adopted by human relationists in modified form as they feel and rightly too, that the human problem to be brought to a human solution requires human data and human tools.

3.   The Modern Theory

Important contributors to this theory include Herbert. A Simon, Peter Drucker, James G. March, Robert L.Kahn, Daniel Katz and others. The Modern organisation theory views the organisation as a system and studies it in its totality as a complex of human inter relationships. According to this theory organisation is the resultant of four groups of factors

a.   the nature of the personnel employed, in the enterprise
b.   the type of task and technology adopted in the enterprise
c.   the environment within which the enterprise operates
d.   the degree of change and uncertainty involved in the enterprise.

Principles of Organisation

Sound organisation is an essential pre requisite of sufficient management. It depends upon certain established principles which must be kept in mind while establishing and developing organisation structures.

They are as follows :

1.   Objectives

Organisation structure enables us to accomplish goals. So organisation should have clearly

defined objectives. Also each position should have an objective logically related to the overall objective or objectives in such a way that if each job holder meets his goal, the goals of the entire organisation will be met.

2. **Specialisation**

The principle of specialisation enables the functions whereby different persons to different things at the same time. It makes for managerial efficiency by providing expert-ness in an organisations and placing reliance on it.

3. **Definitness**

This principles of definitness enables every employee know of his place and purpose in the organisation and his responsibility for achieving that purpose;

4. **Scalar Principle**

According to scalar principle the Organisation must have a supreme authority, and a clear line of authority should run from the person down through the hierarchy. For example, the authority should descend from the chief executive through the Production Manager, through the foreman to the rank and file production employees* thus establishing a "Chain command".

5. **Clear assignments of Responsibility**

Every one should have a clear understanding of the debts for which he is responsible. He must know for what he is responsible. He must know what he is required to do.

6. **Authority commensurate with Responsibility**

When any one is made responsible for achieving a given objective he should be given enough authority to reach it.

6. **Authority commensurate with Responsibility**

When any one is made responsible for achieving a given objective, he should be given enough authority to reach it;

7. **Unit of Command**

Each person should be accountable to only one superior. This will Minimise conflict and ensure response.

8. **Unit of Assignment**

Functions assigned to each position should be compatible and they should require reasonable equal demands of skill.

9. **Span of Control**

A Manager should be expected to supervise a reasonable number of subordinates. For a sound organisation the span should be short, but care should be taken to avoid overloading supervisors or top Management personnel with too many subordinate.

10. **A. Short Chain of Command**

There should be as few levels of supervision between the Chief executive and the subordinates as possible.

11. **The Principle of balance**

The object of this Principle is that each portion and function of an enterprise should operate with equal effectiveness in making its alloted contribution to the total purpose.

12. **The principle of Coordination**

The organisation should permit complete coordination of every branch of its work.

13.   **The Exception Principles**

This principle should be made at the lowest competent level. Therefore authority should be delegated as for down in the organisation as possible.

15.   **The Principle of Simplicity**

The organisation should be so planned that the objective can be attained with the lowest possible cost, which mean either money costs or human costs or both. An organisation should strive for structure which in the simplest possible and yet will fulfill the purpose.intended.

Organisation Chart

Organisation chart demonstrates the overall picture of structure. The purpose of the chart will indicate the basic patterns of an organisation structure and to signify the manner in which different parts are coordinated and connected together.

Organisation chart is considered as the best visual representation of the activities through clear graphical diagrams since it outlines the overall structure of the organisation, its distribution of functions, its levels, its individual positions, lines of authorities, and accountability.

Principles of Organisation Chart

1.   Lines of authority should be observed by the top management in dealing with subordinates.
2.   Lines of authority should be observed by the subordinates in dealing with superiors.
3.   It should define lines of positions
4.   Identical authority or responsibility should not rest upon two or more persons.
5.   It should avoid undue concentration of duty at any point.
6.   It should be above personalities.
7.   It should be simple and flexible.

Chapter 10

Span of Control

The term Span of Control is referred variously in management as span of management span of supervision, span of authority or as span of responsibility. It indicates the number of people who can be managed or directed effectively by one executive.

Determination of an appropriate span of management is important for two reasons.

1.   If effects the efficient utilisation of managers and the effective performance of their subordinates.
2.   There is a relationship between span of management and organisation structure.

Factors determining Span of Control

The following factors determine the optimum span of control.

1.   **The Capacity and ability of the executive**

Some Managers are more capable than others and can, therefore, handle a large number of subordinates. In planning an organisation, the span of control should be based on a manager of average ability.

2.   **The Capacity and skill of the subordinate**

If the employees are competent and possess the necessary skill and motivation to perform the task assigned, less attention from the manager is required and a larger span of control can be used and Vice Versa.

3.   **Nature and importance of the work supervised**

If the employees are doing similar jobs, the span of control can be larger. If their jobs are quite different, a small span may be necessary.

4.   **Clarity of authority and responsibility**

If the authority and responsibility of each employee are properly defined, they need not make frequent calls on their supervisors for guidance and instructions. This helps a superior to manage a large number of subordinates.

5.   **Degree of Decentralisation**

If an executive is not to take too many decisions himself due to decentralisation, he can successfully supervise large number of subordinates and he cannot supervise large number of subordinates if there is centralised authority.

6.   **Economic Consideration**

It also affects the choice of span. Hence an economic balance has to be arrived at between cost savings that result from the largest possible span and the added costs, that an organisation begins to incur as the span grows too wide.

Graicunas Theory of Superior - Subordinate Relationship

This concept was developed by V.A. Graicunas, French Management Consultant in 1933. He has identified three types of superior subordinate relationships They are.

1.   **Direct Single Relationships** arises from direct and individual contacts of the superior with his subordinates.
2.   **Direct Group Relationships** arises between the superior and his subordinates in all possible combinations,
3.   **Cross Relationships** are mutual relationships among subordinates necessary for working under a common superior.

Graicunas has given mathematical formula for such calculations.

Direct Single Relationships $=$ n

Direct Group relationships $=$ $n(2^{n-1}-1)$

Cross relationships $=$ $n(n-1)$

Total relationships $=$ $n(2n/2 + n-1)$ or

$n(2^{n-1} + n-1)$ or

Where n = number of subordinates

Criticisms

1.   There is a wide diversity in the optimum span of supervision.
2.   The frequency and severity of relationships have not been dealt in the theory.
3.   All possible relationships have not been included in the theory.
4.   This theory deals with the downward relationships only.
5.   It has limited application in the sphere of service activities not clearly indicated in the theory.

Span and Levels of Organisation

Span of Control directly affects the number of Managerial levels in the Organisation and thus determines the organisation structure. If the span is narrow, say limited to six subordinates, a number of managers would be required in each unit of the organisations and there would be many

managerial levels of layers. Such organisation structure is known as a "tall" one. On the other hand, if the span is wide i.e., each manager directs relatively large number of people there would be fewer managerial levels and the organisation structure will be known as a "flat" one.

Departmentation

In the process of grouping activities into units and subunits for purposes of administration. the administrative units and sub units so created may be designated as divisions, units, branches sections, jobs etc. Grouping activities into departments is an essential part of the process of setting up organisation and of expanding them to any great degree.

Definition

KOONTZ AND O'DONNEL define department as " a district area, division or branch of an enterprise over which a Manager has authority for the performance of specified activities"

Need and Importance of Departmentation

The need and importance of departmentation can be understood from the following.

1. Departmentation facilitated specialisation which makes operations more efficient.
2. Departmentation helps in fixing responsibility and consequently accountability for the results.
3. Departmentation provides motivation by developing feeling of autonomy to the extent possible.
4. Departmentation helps in the development of managers.
5. Managerial performance can be measured when the area of activities can be specified and standards in respect of these can be fixed.

Patterns of Departmentation

There are five basic patterns or methods of Departmentation within an organisation structure.

1. By functions
2. By Products or Services
3. By Project Team
4. By Location
5. By Customers

Departmentation by Functions

It refers to grouping of activities of the enterprise into major functional departments, i.e., all similar activities of the enterprise are grouped into major departments on the basis of functions such as production marketing, personnel and finance.
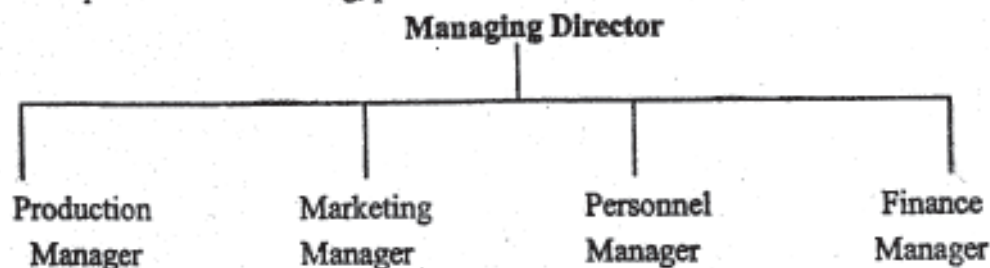
Managing Director

| Production Manager | Marketing Manager | Personnel Manager | Finance Manager |

Fig.L Departmentation by function.

Advantages

1. It is a simple form of grouping activities which manufactures only a limited number of products or vender only a limited number of services.
2. It can employ experts in various functional areas.
3. It leads to improved planning and control of the key functions.
4. It is a time - proved method and can easily be justified by the management.
5. It ensures economy.

Disadvantages

1. Centralisation tends to become excessive and it caused delay in decision making and flow of information.
2. Coordination between functions is difficult.
3. Little possibility of developing general managers for promotion
4. This type is unsuitable where either geographical centralisation is required or emphasis on product lines is called for.

Departmentation by products or services

Under this method product lines are segregated as special product Managers are put in charge of each line. Product departmentation involves establishing each product as a relatively autonomous, integrated unit within the framework of the company as a whole. Within each department, all the needed facilities are assembled.

Managing Director

Manager Product A

Chief Engineer   Sales Officer   Accounts Officer   Personnel Officer

Manager product B

Chief Engineer   Sales Officer   Accounts Officer   Personnel Officer
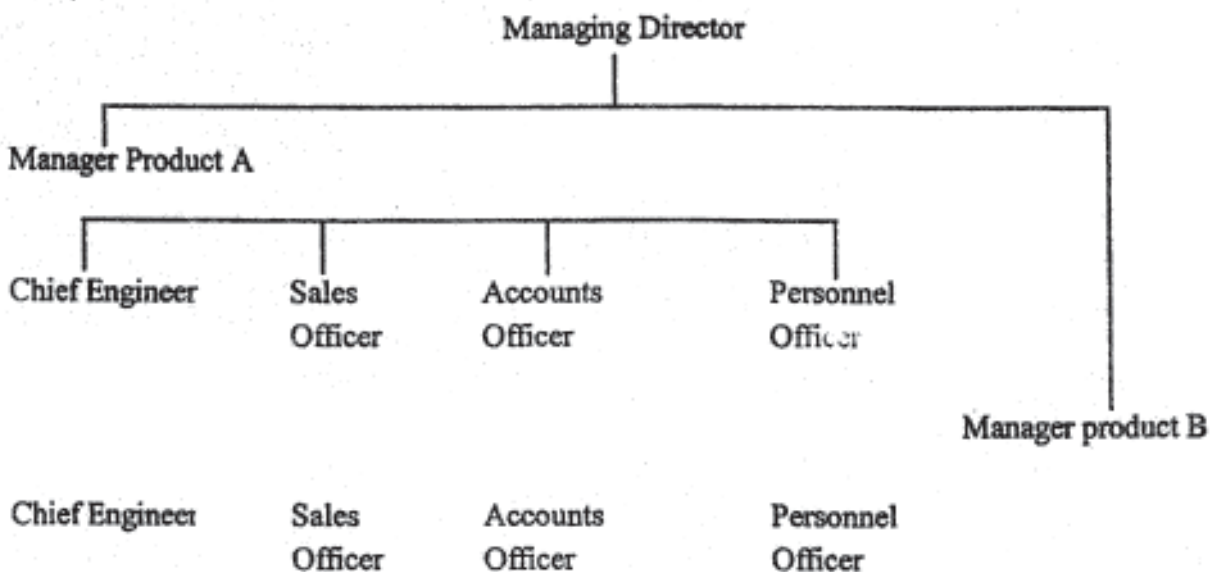
Fig.2 Departmentation by Products

Advantages

1. It permits to make the maximum use of specialisation in technical skill, managerial knowledge and capital requirements.
2. It ensures a steady growth and expansion of product lines.
3. Often it results in good customer relationship.
4. It facilitates effective control of operation
5. It provides measurable training ground for managerial personnel.
6. It motivates the subordinates for high performance.

Disadvantages

1.   This form results in duplication of staff and facilities.
2.   It increases managerial cost.
3.   Employment of a large number of managerial personnel is required.
4.   Equipment in each product department may not be used fully.

Departmentation by Project Team

     A team may be set up within an existing organisation for the purpose of conducting study of the particulars geographic region or design and product a new product or industrial machinery or complete a specific assignment in time and within estimated cost. A project manager may be appointed to analyse the activities that must be performed to achieve established goals and manage the project. He may select personnel from different functional departments involved in the project. When the project is completed, people may return to their original departments.

Apart from its temporary nature, the departmentation by
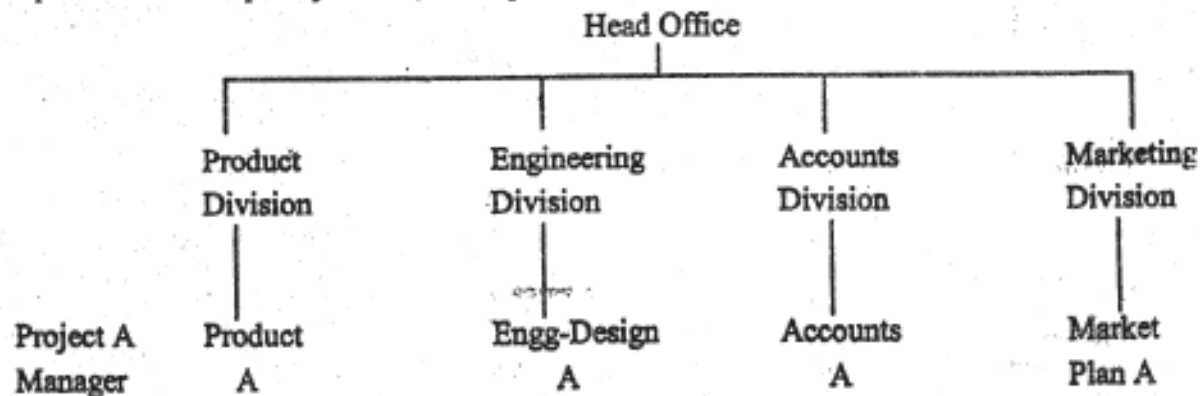
Fig.3 Project Team Departmentation

project team in its form is similar to the departmentation by product. So the advantages are similar as above,.

Departmentation by Location

When several production or marketing units of an organisation are geographically dispersed in various locations, it is logical to departmentalise those units on a geographical basis. Northern, Western, Southern, Eastern and Central Railways are departments in this sense.
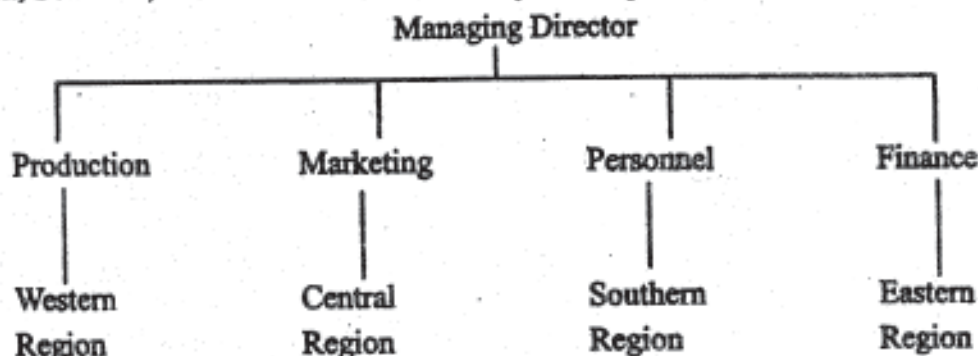
Advantages

1.   It ensures full attention to different customers groups.

2.   It is useful while proximity to local conditions and opportunities result in low cost of operation such as lower freight charges, lower labour costs and lower rent.

3.   It helps managers to take quick decisions and prompt action as they are aware of local conditions.

Disadvantages

1.   More persons with managerial abilities are required
2.   It increases the problem of head quarters control
3.   It increases the costs to coordination and control

Departmentation by Customers

An enterprise may be divided into a number of departments on the basis of the customers and each department is usually sub divided en the basis of customers (e.g) Marketing department. Such department is useful in the case of companies which render specialised Services.
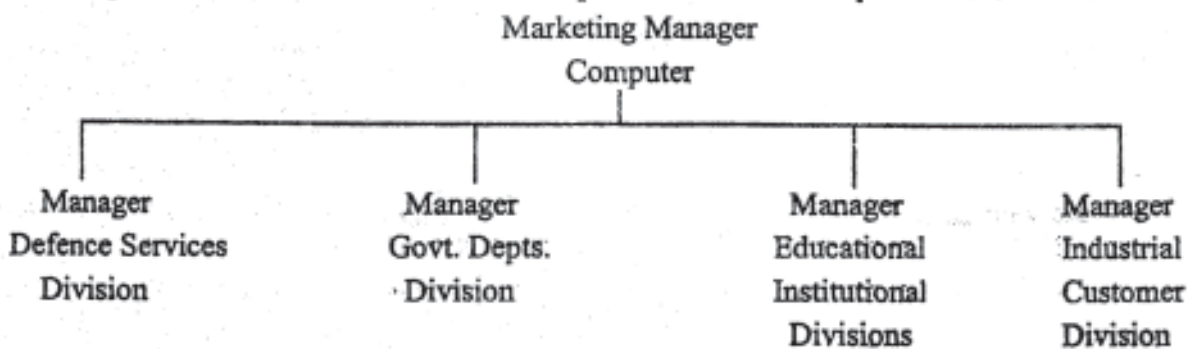
Marketing Manager

Computer

Manager	Manager	Manager	Manager
Defence Services	Govt. Depts.	Educational	Industrial
Division	Division	Institutional	Customer
		Divisions	Division

Fig.5 Departmentation by Customers

Advantages

1.   In concentrates on customer needs
2.   It develops expertise in customer areas.

Disadvantages

1.   Sometimes it is difficult to meet the competing demands of the customers.
2.   It requires Managers and staff well-versed in customer needs.
3.   Some customer group may disappear during times of recession and the sales force may have to remain in idle.

Study Assignments

1.   Define Organisation. What are the basic principles of organisation?
2.   "Organisation is a back bone of Management". Comment.
3.   What do you understand by Organisation theory? Discuss its role in understanding organisation functioning.
4.   What is the basic framework of neoclassical organisation theory?
5.   What is Organisation Chart? What are its advantages and limitations?
6.   Discuss the meaning and importance of organising as a function of management. What steps have to be taken in designing an organisation.
7.   Define the term " Span of Management". How would you determine the optimum span of Management in a given situation.
8.   Discuss briefly the contribution of Gracicunas in determining the span.
9.   Discuss the meaning, methods and importance of departmentation.
10.   What basic factors should be kept in mind while creating departments in an enterprise.

Chapter 11

Delegation and Decentralisation

1. Delegation of Authority

Delegation is of great importance to an Organisation. It is not only necessary but is inevitable.

What is delegation?

Delegation is the process of

❖ Assignment of tasks, activities and responsibilities to subordinates

❖ Transfer of authority so as to enable them to make necessary decisions, utilize the resources and command others for performing the assigned tasks and activities and to discharge responsibilities.

❖ extraction of accountability for adequate performance and for producing the desired results; and

❖ setting up an adequate monitoring and control system so as to keep track of progress on assigned tasks, activities and responsibilities, measure of performance and take corrective action.

Reason for Delegation

The reasons for delegating authority and responsibility are as follows.

1. Effective Time Management

A Manager can manage his time most effectively by delegating adequately.

2. Enhancement of capabilities by capitalising on those of others

A Manager can multiply his own capacities by assigning duties and responsibilities to his subordinates.

3. Tool of Training and Developing subordinates

It is one of the major responsibilities of a Manager to provide training to his subordinates and create and environment for their development so as to enable them to perform effectively.

4. Tool of Motivation

'Delegation is a powerful tool of Motivating the employees.

5. Demonstrates Trust and confidence

When a Manager delegates a task to a subordinate, he is in effect telling him," I trust you and I have confidence in your competence and ability'.

6. Builds self-confidence

Delegation helps employees build their confidence,

7. Provides Fresh Ideas and View Points

When a Manager delegates duties and responsibilities to his subordinates, he brings to performance not only renewed energy, but also ideas and viewpoints different from his own.

8. Improves Quality of Decisions

Delegation vests authority in those who are responsible for task performance and improves the quality of decisions.

Principles of Delegation

The following principles have been framed to serve as guidelines for the delegating authorities,

1. Principle of Clear definition

Successful delegation requires that there should be a very clear definition of the tasks to be performed by the subordinates

2. Principle of Matching authority and responsibility

The authority to be delegated should match with the result expected.

3. Unit of Command

Delegation should be made in such a way that the subordinates works under one superior only.

4. The Principles of exception

The idea of delegation is that Managers should retain with them such tasks for which they alone are exceptionally suited to the organisation.

5. Principle of absoluteness of the responsibility

The senior who delegates remains responsible for his own actions as well as the actions of his Subordinates.

6. Authority level principle

The Managers should delegate authority to the subordinate, keeping in view their personal abilities moral traits, experience and professional qualifications.

7. Principle of Motivation

The Managers should encourage the subordinates in every possible way.

8. Communication

There should be effective communication of the authority delegated and the task intended to accomplished.

How to delegates?

The following guidelines have been developed to help Managers delegate effectively.

1. Determine the task to be delegated
2. Identify the right person
3. Specify the scope of authority
4. Provide policies and procedures
5. Specify the expected level of performance in terms of results.
6. Involve the delegates in all delegation decisions
7. Set up the control system
8. Provide resources
9. Inform all concerned about delegation
10. Provide feedback
11. Tolerate Mistakes
12. Interference must be Minimum
13. Encourage two way free communication.
14. Be perceived as a source of help
15. Avoid upward delegation

Benefits of delegation

1. Delegation reduces a Managers' burden as he delegates the duties of routine nature.

2.   Delegation helps the subordinates to develop their-executive talent since they assume responsibilities, make important decisions and perform varied tasks.

3.   It serves as a motivational device by increasing the job satisfaction and encouraging them to look forward to promotions in future.

4.   It develops a positive sense of responsibility among the subordinates, which improves the behavioural climate in the organisation and paves way for improved productivity.

5.   It enables Managers at lower levels to acquire experience in decision making and gain competence to fill higher positions in the organisation.

Difficulties in Delegation

Difficulties in delegation may be divided into two parts.

1.   Difficulties from the side of the Managers.

2.   Difficulties from the side of the Subordinates

On the Manager's Side

1.   Superiority Complex is one of the impediments in the course of delegation. Some times superiors are found to be hesitant in transferring rights.

2.   Delegation requires tact and competence on the part of the manager and the inability to accomplish these will check delegation of authority.

3.   A manager very keen, on asserting his own importance in every respect will not transfer rights in favour of the subordinate.

4.   The fear that the subordinate might prove better than the superior would act as a im pediment for delegation of authority.

On the Subordinates side

1.   The employees will shirk delegation if they are incapable of taking decisions.

2.   They may refuse to accepts authority because of their fear of criticism by the superior in case they commit mistakes in decision making.

3.   An employee who lacks self-confidence may not accept any authority.

4.   If the employee feels that the resources available will not be adequate for proper discharge of the duties assigned he would not accept delegation.

5.   Since there are no positive personal gains to employees for assuming extra responsibility they may avoid accepting any authority.

Guideline for effective Delegation

1.   Delegation must be clear and complete

2.   Subordinates must be given full freedom to decide issues within the sphere of the delegated powers

3.   There must be proper selection of subordinates and the senior must make a proper assessment of the abilities and limitations of the subordinate who would be delegated the authority.

4.   Give the subordinate some positive incentives for accepting responsibility.

5.   Train the subordinates properly.

6.   The superior should ignore the mistakes and create climate for mutual trust and goodwill.

7.   The superior should lay down rules and regulations of receiving the accountability from the subordinates.

8.   Do not make the subordinates accountable to more than one superior.

entralisation

Centralisation refers to the tendency to withhold the decision making power at higher levels management. It implies that a majority and the decision regarding the work are made not by ose doing the work but at a point higher up in the organisation. Complete centralisation in posble only in one-man enterprise. The moment the owner Manager employs even on additional nd, some decentralisation takes place.

vantages of Centralisation

1. Centralisation facilitates personal leadership which is a potent influence in the success of a small company.
2. Centralisation is necessary to unify and integrate the total operation of the enterprise. Thus it provides for integration.
3. Centralisation promotes uniformity of action which is desirable in same matters like buying, advertising etc. in a Multi-unit company.

sadvantages of Centralisation

1. Too much centralisation puts the full weight of problems and pressures from all parts of the organisational upon the chief-executive, with the result he finds no time to plan ahead.
2. It cannot develop individual initiative, ability and enterprising spirit in many people who are deprived of any powers in the organisation.
3. Since centralisation forces a person to look after many things at a time, specialization is not possible.
4. Communication problems arise due to centralization

centralisation

Decentralisation refers to the systematic effort to delegate authority to the lowest levels. It plies that the decision-making authority is dispersed throughout the organisation.

Decentralisation is neither delegation of actual performance or work, nor the physical or graphical dispersal of its activities. The determining factor whether there is decentralisation in organisation or not is the location of decision making power.

rnest Dale views that the degree of decentralisation is greater than.

1. The great is the number of decisions made at the lower level.
2. The more important are the decisions made at the lower level.
3. The more is the number of areas in which decisions can be made at lower levels and
4. The fewer are the people to be consulted and less is the checking required on the decisions made at the lower levels.

finition

yol

Everything that goes to increase the important of the subordinates role decentralization and rything that goes to reduce it is centralisation.

vantages of Decentralisation

1. Decentralisation reduces the burden of the executives by relieving them from routine operating problems.
2. It ensures the supply of Managers from within organisation as it provides a better means of developing future Managers.

3.   It motivates subordinates for high performance.

4   It promotes employee participation

5.   It paves the way for better decisions.

6.   It facilitates product diversification in a multi-product company.

7.   It often enhances performance and control by fixing responsibility.

Disadvantages of Decentralisation

1. Decentralisation involves high cost of operation as it is marked by the tendency to increase cost by hiring staff specialists for each division.

2. As top management is isolated from divisional management it may not be very easy to take decisions in emergency situation.

3. It may increase the problem of coordination as the decision making power is not concentrated.

4. Uniform policies cannot be adopted under this system as different authorities may receive the things in their own way.

5. All functions cannot be decentralised (e.g.) handling relations with trade union.

6. It poses a threat to Managers when the subordinates become very effective.

Factors affecting the degree of Decentralisation

1. Significance of the decisions

Costlines of the decision and the decision involving reputation, competitive strength or employee morale and-motivation are not decentralised. The top management would like to keep such decision making with it.

2. Need for uniformity of policy

Only centralised authority can ensure uniformity of policies for all department or for all customers (e.g) regarding quality-service, credit, price etc. This will ensure easier comparison of relative efficiency of departments and can keep down costs.

3. Size of organisation

As the organisation grows it becomes increasingly difficult for the chief executive to perform all the functions himself. He has to decentralise necessary decision making powers to the lower levels.

4. History of organisation

If the organisation has grown primarily from within, then it might have built up a very centralised structure. On the other hand if it has grown by acquisitions and mergers, it is likely to be decentralised.

5. Age of organisation

A relatively high degree of centralisation may be needed at the start, when new values and view points are being established. But when the rationale and meaning of official view point are well understood and widely accepted, centralisation is more readily dispensable.

6. Philosophy of top management

The philosophy of top management influences the degree of decentralisation. On many occasions, the top managers retains authority as they are not desirous of giving up activities which they enjoyed before the expansion of the business.

7. Availability of Managers

Decentralisation demands many Managers. Hence efficient training to management development is necessary to provide many manager under decentralisation.

8. Geographical Dispersion

The territorial dispersion of activities may make decentralisation desirable as decisions will be taken by those closer to the scene of action.

9. Control techniques

Decentralisation demands effective control over all subordinates. If the control techniques are good, the management will be willing to delegate authority to subordinates.

10. Diversity of Product lines and Technological Developments

Diversification of product lines and the latest technology for a specific product may demand a good deal of decentralisation.

11. Organisation Environment

The external environment factors also determine the degree of decentralisation. They are government control, trade unionism, tax policies etc.

Chapter 12

Forms of Internal Organisation

An organisation makes the functional arrangement of the various factors, allots and allocates duties, authority and responsibility and decide the relationship of superiors and subordinates and sets the line of communication and coordination. One question that needs prime attention in the allocation of authority to various departments and assignment of duties is what 'kin' of authority is to be allocated? The answer depends on not only on the nature of authority but also on the authority relation of the superiors among themselves and superiors and subordinates. Much discussion has been done on this delicate topic in identifying the nature of relationship and thereby the pattern of the organisation structure.

According to the different principles of distributing authority and responsibility amongst the members of the enterprise several types of organisational structures have been evolved. The important types of internal organisation are as follows:

1.   Line or Military organisation
2.   Staff organisation
3.   Line and Staff organisation
4.   Functional organisation
5.   Committee organisation

1. Line Organisation

This is referred to as military, traditional, scalar or hierarchal form of organisation. This is the simplest, most direct type in which each position has general authority over lower position in the hierarchy in the statement of the goals of the firm. It is the oldest and most rational because it is the essential feature of the military system. Thus we find the line officers commanding the warriors at the battlefields to attain the goal, ie, win the war.

Under this system the lines of direction and instruction are vertical whereby each one at a given level is directly responsible to his immediate superior authority. Here authority flows down-

wards through the various hierarchial levels. Thus in an industrial unit the authority flows from the general manager down towards the superintendent, through him to the foreman and then to the workers. It should be remembered that a foreman for example neither receives information nor command from any other foreman and he can give the same authority given to him only to those below him. The glaring feature of the type of organisation is the authority so delegated is of the same general character. Thus simple authority responsibility relationship exists.

This can be illustrated by a diagram.

Managing Director

OR

General Manager

Plant Manger

Foreman	Foreman	Foreman
Machineman shop	Assembly Shop	Shipping and
		Receiving
Workers	Workers	Workers

A Simple Line Organisation
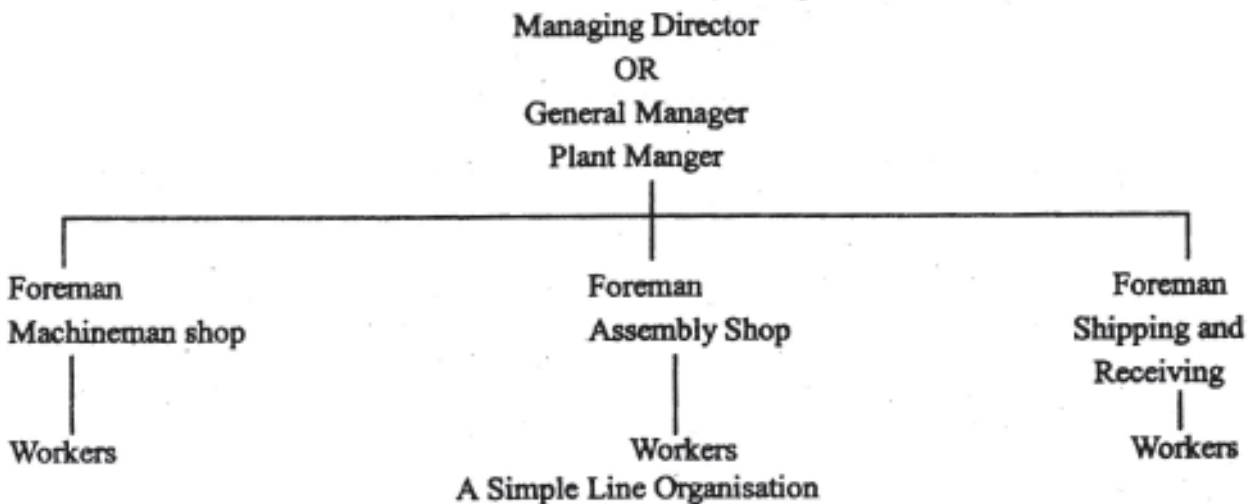
So authority takes a downward flow and responsibility moves upward through a single straight line. The process of delegation thus sets up a chain of superior subordinate relationship throughout the structure. The classical principles viz., principle of scalar and unity of command are the essence behind this type of Organisation. Normally line authority are granted to those who are engaged in basic functions of the enterprises such as production, marketing etc.

Merits

1.   This is the simplest form of obtaining authority responsibility relationship. It is very easy to work out.

2.   There is no unnecessary confusion or conflict over authority. Each one is held responsible for the authority assigned to him and hence exercise great care and deligence.

Demerits

1.   This type of organisation suffers from red-tapism and delay. Much time is wasted in the movement of informations upwards and downward through various levels of hierarchy. Again the necessary information may get distorted as it passes through various stages.

2.   The line organisation is rigid and inflexible which is against the fundamental principles of good Organisation.

3.   As large amount of authority is centralised, it becomes one man's show and the said persons is likely to become authoritative and dictator.

4.   It calls for the placement of experts at the various levels of management. The loss of one or two executives may cripple the organisation.

2. Staff organisation

In contrast to the direct command relationship i.e., line organisation discussed above, the relationship may be sometimes limited to the giving of advice or service. This is identified as staff.

Staff refers to those elements of the organisation that helps the line to work most effectively in accomplishing the primary objectives of the enterprise. Thus staff function is purely advisory i.e., to investigate, analyse and advice the line personnel for the better accomplishment of the goals. The staff function is much sought after as the organisation grows and expands. Staff authority do not possess any formal authority as such, rather they influence people in getting things done.

Kinds of Staff

Normally in any industrial unit one can find two kinds of staff.

1.   **Staff Assistants or personal Staff**

These are staff who help an executive to discharge his duties smoothly. In business we call him private secretary, who may keep the executives personal check book, arrange him appointments etc. In fact he acts as thought man to the line manager. It should be noted here that they do not fit into the chain of command. They provide advice and service to a line position but refrain from taking any decision on behalf of the line manager. They perform each duties delegated to them by the executive. They are sometimes referred to as 'assistants to', special assistance etc.

2.   **Specialised Staff**

They are who handled specialised functions accounting, personnel, engineering research etc. They are experts in their respective field and extend advice, relieve the chief of focussing attention on many fields. But this may involve coordination problem when the number of specialist increase. The specialist staff provide new ideas and policies. But the chief executive must guage the overall effect of their proposed policies and projects because such policies may have for reaching effect on the overall performance of the enterprise, as a whole depending upon the service rendered by such staff, the special staff is classified into advisory (e.g. an industrial engineer) service (purchase supervisor, personnel) control (quality controller) and functional guidance and co-ordinating service.

Merits

1.   The involvement of staff personnel aids in acquiring expert and specialised advice and knowledge for the effective performance of activities.

2.   The line executive is freed of detailed analysis of each and every activity. He can pay attention to those areas where direct formal authority is to be extended.

3.   This provides wide scope for young specialists to get raining and growth.

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3.   This provides wide scope for young specialists to get training.

Demerits

1.   If functions of the organisation are not clearly spelt out and defined staff organization may cause confusion and chaos.

2.   It reduces, power of experts to place recommendations into administration because they are purely advisory with little authority.

3. Line and Staff Organisation

It is often suffice to have line organisation as long as enterprised is simple and small. However, growth in physical size and in scientific background will surely call for special knowl-

edge and skill. The result will be a clear and efficient blending of line and staff function. This is so because line and staff relations are important as an organisational way of life. In any undertaking the line and staff relationship is sure to occur

Thus in a line and staff organisation both advisory staff and line authorities function together. Staff officials advice and counsel in the performance of the line officials. Line and Staff arrangements are based on the assumption that they should support each other and work harmoniously for the attainment of enterprise goals. The line section shall look after the performance and implementation of plans and schedules prepared by staff. It should be noted that staff function becomes a mental function and line function a physical. Staff specialist are in effective contemplate thinking, deliberation and planning while line specialist in effective action. The staff tells line as to how to do. It is thus often stated that staff officers are assigned an "authority of ideas" and line officers an "authority to command".

CHAIRMAN

Executive Secretary   Business

<———>   Managing Director   <———>

To the N.D.   Economist

Finance Manager   Chief Engineer   Sales Manager

Personal Manager   Work   Purchase Manager

Superintendent

Foreman A   Foreman B   Foreman C
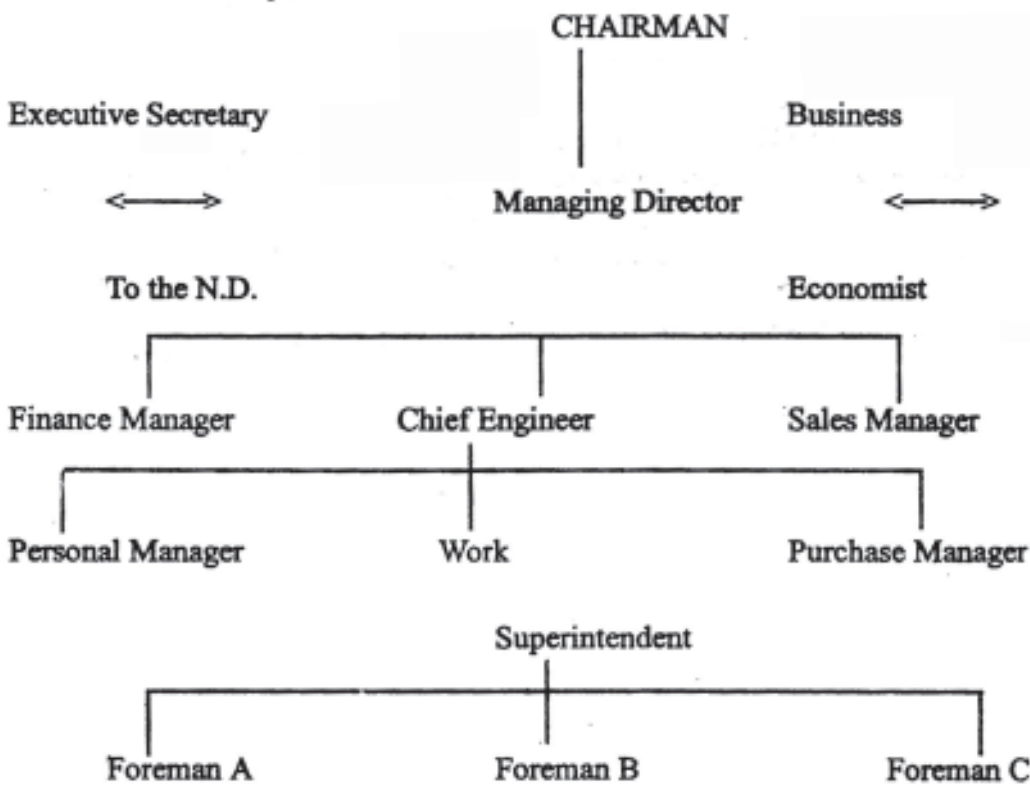
LINE AND STAFF ORGANISATION

The above diagram illustrated clearly the line and staff organisation in an excellent way.

There is a strong central line of control which carries all orders and instructions from the top to the bottom with precision, depicted in thick line. It can be seen that each officer is connected with one or more specialised staff from whom he receives special advice or even instruction. Thus if we are to take Managing Director, he receives advice from Secretary and Business Economist.

Again the Chief Engineer who is a line authority under hierarchial level is connected with many specialised staff officers.

Line and Staff organisation are based on the basic assumption that they support each other and work harmoniously for the attainment of enterprise goals. If there is no proper team work, Co-

operation and understanding, the benefits of line and staff organisation may not be found. There are every chance for line and staff friction in any undertaking. The chief causes for such conflicts are.

1. Line authority do not want the staff men to steal the credit of their performance. The self ego and superiority complex do not permit them to hear the advice of the staff. Even during emergencies they perform what they think not taking the idea of the staff.

2. Some times the advice given by authorities may not be practical. It may be highly technical with the line personnel may not understand. To take it acceptable, the staff should stand in the foot of the line authority and then decide and advice.

3. The respective view points also are detrimental to smooth working of line and staff relationship. The line officer may feel undermined in view of importance placed on staff personnel by his superiors.

4. The line officers consider themselves superior because they are responsible for operation results where as the staff men because of their specialised knowledge and training consider themselves superior to line manager.

Remedial Measures

1. Better qualified and trained personnel should be placed at the staff position. They must be able to convince the line authority about their contribution towards work performance.

2. Line authorities should make it a procedure to hear the advice of staff before implementing any plan.

3. The staff men should have seen the problem as line officials, as there are overbearing attitudes on both the sides should be avoided.

4. The staff men shall persuade ideas and decisions rather than command or order.

5. The staff person should avoid playing the role of an expert. So also he should not be too technical in the language, which may cause resentment.

6. As some staff men are at the top, their advice may cause resentment and frustration to the line men. It is the duty of the staff to make line understand that the acceptances of such ideas and decisions may make him productive and eligible for promotion and similar other things.

7. Lastly, any misunderstanding or conflict shall be appealed to the higher authority. This right to appeal for both the parties may resolve differences and restore harmonious working.

4. Functional Organisation

The limited scope of working to which the line organisation is liable, has given rise to another type of organisation called as "functional Organisation" otherwise known as functional foremanship. This system originated by F.W Taylor to bring about specialisation of management.

This system permits a specialist in a given area to enforce his directive within the limited and clearly defined scope of authority. It decreases the problems of line management because it permits order to flow directly to lower levels without attention to routine technical problems tackled by line position. As Taylor puts it, the functional system was evolved on the following basis.

1. To make use of the Principle of Specialisation

2. To bring about organisational balance

The functional system, as the name suggests, divides the whole work into various functions. Each function is entrusted to a functional foreman who is generally a specialist in that particular

function. The workers should receive instructions from all of them. Each functional foreman is placed at the same authoritative level.

Taylor's plan of Functional foremanship is illustrated in the following Diagram.

```
                        General Manager
                              |
                     Plant Superintendent
                              |
   ┌──────────────┬──────────────────┬───────────────────┐
In Route      Instruction        Time and Credit      Disciplination
Office-Clerk     Clerk               Clerk

   In          Gang          Speed        Inspection        Repair
  Shop        Foreman       Foreman        Foreman         Foreman
              (BOSS)        (BOSS)         (BOSS)          (BOSS)
                         Workmen
```
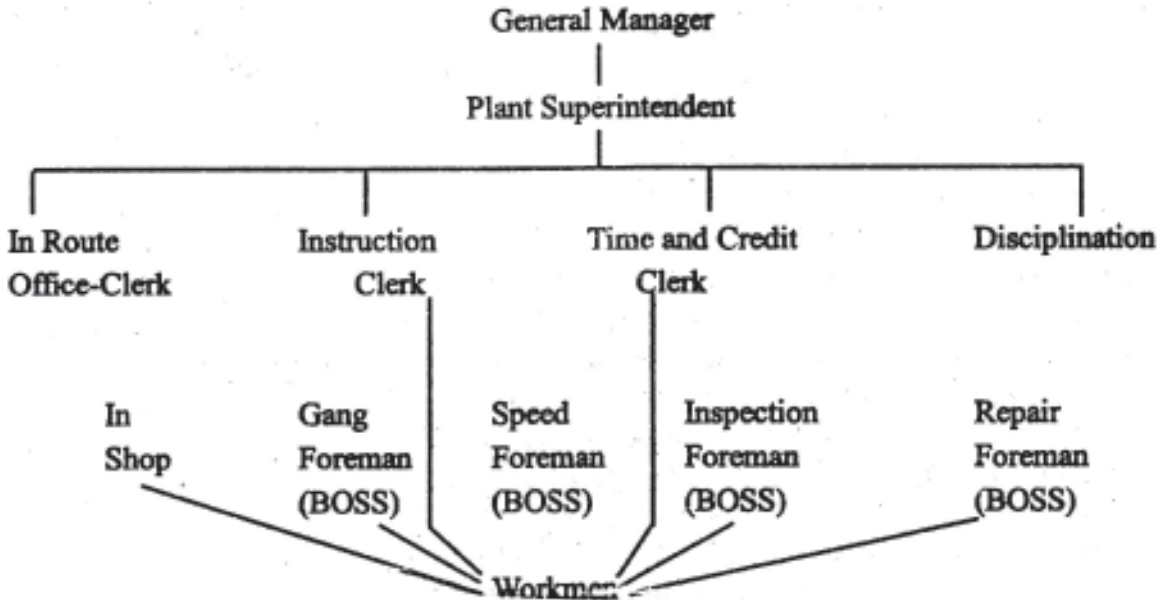
Functional Organisation

Taylor divided the supervisory function into two divisions viz

1.   Officer or planning division and
2.   Factory Division

The functions of the two divisions are performed by eight foreman. Foreman in the Office Divisions. The office or planning department consists of the following four foreman.

1. The Route Clerk

The route clerk is responsible for ascertaining the exact route through which each and every place of work should travel in the process of conversion of raw materials into finished products.

2. Instruction Card Clerk

He prescribes the exact method of completing a work according to the route clerk.

3. Time and Cost Clerk

He specifies the standard time for the completion of the work and also fixes the time schedule for each element of the job. He also looks after the work relating to pay roll and cost. Recent tendency is to split up the functions of this clerk into two separate units - the pay roll department and the cost department.

4. Shop Disciplinarian

He acts as a Personnel Manager and deals with cases of indiscipline and absentism. Thus his primary function is to maintain orderliness in the factory and office. **Foreman in the Factory Division**

The factory division consists of the following four foreman.

1. Gang Boss

The Gang Boss is connected with the preparation of work for the machine such as the set up of machine, moving work from machine to machine and from machine to stores.

2. Speed Boss

He is in charge of technical supervision of the flow of work from one place to another etc. Now a days he is designated a assistant foreman.

3. Inspector

The Inspector is entrusted with all inspection and testing works. He is responsible for the quality of the product.,

4. Repair Boss

The repair boss is entrusted with the tasks of proper repair and maintenance of the equipment and upkeep of the plant.

Advantages

1. In functional organisation, specialisation is emphasised and that improves the quality of the product. The enterprise benefits by the services of different experts.
2. Division of Labour is planned. Hence there is an all round improvement in efficiency.
3. It leads to standardisation of the Products.
4. There is separation between mental and manual labour.
5. Line executives are relieved to a very great extent.

Disadvantages

1. Too many cross relationship between persons and departments make the situation very vague.
2. Since there is inability to locate and fix responsibility it may seriously affect the discipline and moral of the workers through apparent or actual contradiction of the orders.
3. Decisions are likely to be delayed as several bosses have to be consulted on a single use.
4. This system increases the amount of clerical work which ultimately results in an increase in the amount of overhead expenses. Hence it is uneconomical.
5. Difficulties are likely to arise in coordination.
6. Workers, being always spoon fed with technical knowledge shall lose initiative and become complicated.

5. Committees

It is known fact that Industrial problems are many sided and cannot be solved by one man, committees offer scope for different people to come together, discuss, find a solution and resolve the problem. It is a mechanism that bring together within the organisation, individuals who would not otherwise necessarily meet as a group. Thus group deliberation and discussion mark the existence of committees. They may be permanent, continuing over a substantial period of time or temporary (standing or adhoc). Again committees may be either line (their decisions shall affect the subordinates) or staff (advisory committees) depending upon the authority they posses.

Definition

"A committee may be defined as a group of persons appointed and given specified authority to meet, interact, deliberate and conclude on some common purpose".

According to Herbert A Hicks", a committee is a group of people who meet to plan, to discuss or make decisions for a particular subject".

W.H. Newman says" a committee consists of a group of people specifically designated to perform some administrative acts. It functions only as a group and requires the free inter-change of ideas among its members".

Committees are referred to as broad, commission, task force, or team. Whatever may be the man given, their essential nature is the same, that is they have to work as a group for some matter committed to them. The essential feature of committees then would be interaction. This provides scope for various personnel to come together otherwise not possible because of their authorities position in the organisational hierarchy. Thus committees harmonise group effort. So the use of committees are not only found in industrial organisations but also in Government, educational institutions, religious institutions etc.

Reasons for the use of committees

The uses of committees are such that they are widely used in democratic set up, so also in authoritarian organisations. The merits offered by committees are manifold. The following discussions will focus attention on reason as to why committees are sought after.

1. Group action and judgement

'Two heads are better than one', so goes a saying. In group action a more thorough probing of a said problem, a great variety of opinions, a wide range of experience rendered are possible. It is a known fact that many a problem calls for more knowledge, experience and judgement of many than that of an individual. Committees offer stimulation, interchange of ideas, cross examination of techniques. All this leads to clarification of problems and development of new ideas and this inter-action enlightens policy matters. It is true in majority cases that the results obtained by group judge-ment are far more superior to those obtained by individual judgement.

2. Fear of Authority

Too much of authority or power in the hands of a single executive is not all that good. This may lead to authoritarisanism. That is why we find that the entire authority in stock companies is vested in the hands of a selected board instead of a managing authority. It is the board that decides policy matters. This motive has influenced in the formulation of so many internal business commit-tees. This is beneficial because the head need not take the full responsibility for mailing a decision or thrust a decision on the subordinate.

3. Interested Group participation, Motivation

Proper representation of vested groups in the committee is of monumental usage. This cre-ates a sense of loyalty and commitments to the decisions reached. This helps in getting a more balanced group judgement and more diversified point of view. Any decisions taken through group interaction creates a well feeling and they are sure to be implemented with greater enthusiasm and personal interest.

4. Facility of Coordination

Planning and execution of programs are better co-ordinance Various departmental heads will come together in a committee session and decide common matters. Committees provide for first hand knowledge of the overall plan and place of respective departments and heads. It provides place where agreements may be reached on the stage through cooperation and coordination.

5. Consolidation of Authority

Many departmental heads have got only splintered authority i.e., only a portion of the au-hority necessary to accomplish a certain programme of the department. But in actual practice many problems will have to be solved with consultation and participation. The informed use of commit-

tees give much flexibility to this set up and consolidation of authority that is splinterred.

6. Avoidance of Action

Committees may be sometimes appointed when delay in action is demanded. It is one of the surest ways to delay in handling of a problem and postpone a decision indefinitely. Executives who want to avoid action and escape responsibility take resort to this committee device.

7. Better Co-operation

Committees tend to promote a better understanding between men of the same authority level and of different levels. This method awakens interest in the work and to draw out the best efforts of all its members and tends generally toward building good team spirit and better empire de corps.

8. Medium of representation

This provide ample scope for giving adequate representation to the various groups in the organisation. When much about workers participation in management is talked, committee offers the widest scope for better representation.

9. Educational Value

Committee means interaction of ideas. As it considers different viewpoints executive -thinking is classified. Exchange of ideas help interaction and cross fertilisation of ideas coming out of different brains. This helps in broadening the mental horizon and enable members to understand problems with ease and approach areas with new and improved viewpoints. Thus various experiences are polled together which are of immense use and value to members.

Limitations

Even though these merits may be derived from committees, it is not free from defect. Many criticism have been levelled against them. So goes sayings, "It is a place where loveliness of thought is replaced by the togetherness of nothingness". A committee is made up of the unit selected by unwilling to do the unnecessary.

1. Increased cost in time and money

Considering value of time spent by individuals in various sitti _gs it is definitely very costly. Again the time taken to reach a unanimous or nearly unanimous decision is very lengthy. It is all the more expensive and futile if the decision is to be or can be taken by a single authority.

2. Indecision

Much time is taken for thorough deliberation and discussion and there is the problem of problem of difficulty of reaching an agreement and decide. Many timed meetings are adjourned without any action. They are very slow and prompt decisions can not be taken.

3. Minority Dominance

When there is indecisiveness, a strong person or persons become dominant. The very purpose of equality in decision making is defeated. Two or more warring groups are likely to arise under the leadership of few. Ultimately the top leader emerge victorious with his own decision without hearing to the proposes of others. Everything is shadowed and individual say becomes the ultimate decision.

4. Splitting of Responsibility

No member is individually accountable to the authority delegated to the group as a whole, than if the decision had to be taken individually. Individual member hardly feel the responsibility

bad logically they do not feel accountable for the group action. As no-body is personally held responsible for the decision, buck passing any result.

How to make committees effective

The above discussed draw backs are quite natural in any committee system. So care must be taken so as to make the committee working effective and productive. So attention must be paid to improve their use. Following are some of the methods which shall enhance the effectiveness of committees.

Scope

The fundamental prerequisite of a good committee is to clearly spell out the scope of the subjects expected to be covered. This will enable the members not to wander uncalled for. Along with that the authority must be clearly defined so as to make the members of the committee as a whole responsible for the outcome of the deliberation. The scope should be clear and definiteness to the activities that are to be performed.

Size

There is no hard and fast rule as to who should be the size of it. It depends upon the need, aim and cost involved. Taking into consideration all these things one may constitute a committee. The idea behind the size is to be that representatives should be given adequate representation. If the interested parties are fairly very large, then sub-committees may be formed so as to give accommodation to those interested or affected. Opinion differs on the size. Different authorities have given different numbers. Too small a number will not help deliberation while large number go unwieldy. Number should be fairly large but not too large. Some many mean five or six to twelve or fifteen. Five would be adequate if they are possessing adequate skills and knowledge to deal with problems facing the committee.

Member

Members forming the committee should be representative of the parties they are interested to serve. Again they should activity take part in the deliberation and perform well. They should reach the decision through interaction rather than through compromise. They should not be influenced by position policies. They should take it as a challenge and come out from within.

Subject matter

The area of which the committee should work to strike a solution or policy should be clearly spelt out. It should be to the point and accurate. Vague or ambiguous subject matters are outside the scope of committee deliberation. Committee should work on the assigned subject matters and nothing else. It would be ideal to prepare and circulate an agenda before the committee sitting to the various participants. This would enable them to know as to what would be discussed and what should be their contribution.

Chair Person

The success of any group deliberation depends on the skill of the chairperson. A good chairperson shall avoid may wastes and drawbacks and conduct the meeting efficiently. He sets the time of the meeting and plays the lead role. He shall not underline objections and criticisms. He should keep the discussion within the area stipulated and guard against unnecessary warring. He should integrate committee deliberations. He must handle the meeting firmly without unimposing personal opinion or thwarting freedom of discussion. He should never wields his power.

Checking conclusions

There may be various interpretation of what was accomplished in the committee meeting. To avoid this minutes of the meeting may be written and circulated among members for corrections

and modifications. Then the final copy may be prepared and approved by the committee. This will enable the member either to agree or disagree with the result and further supplementing discussions. Once the addition is taken and informed, the result of such decisions must also be ascertained and informed to the committee members so as to boost their morale.

Study Assignments

1. Define delegation. What are the Principles of delegation?
2. What are the difficulties in delegation?
3. Discuss the importance of delegation and list out the guidelines for effective delegation.
4. Discuss the factors favouring decentralisation, what are the determinants of decentralisation?
5. What do you mean by centralisation and decentralisation of authority helpful in business administration.
6. Discuss the need for centralisation in business organisation.
7. Differentiate between the line organisation and Staff organisation. Which one would you adopt for large industrial concession and why?
8. Distinguish between line and staff and functional-organisation and give the relative merits and demerits of each?
9. What is line organisation? What are its features? Mention the advantages and disadvantages.
10. Discuss the nature and characteristics of a committee. Why are they set up and what are their limitations?

Chapter -13

STAFFING AND MANAGEMENT DEVELOPMENT

Staffing is a very important role of management. It involves filling up of various positions by competent individuals. The systematic and scientific approach to the problem of recruitment, selection, training, development, motivation and placement of personnel in an organisation is known as staffing.

Definition

The Haimann defines staffing as follows

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

Koontz and O'Donnell

"The managerial function of staffing involves manning the organisation structure through proper and effective selection appraisal and development of personnel to fill the voles designed into the structure"

Steps in Staffing Process

Staffing deals with job-person matching in organisation. The following are the steps in the staffing process.

1. Job Analysis including job description and job specification.
2. Manpower Planning.
3. Recruitment and Selection
4. Training and Development
5. Performance Appraisal.

Job Analysis, Job Description and Job specification
Job Analysis

Job Analysis is a process through which managers investigate into the activities of work and the demand made by it on employees. It helps in determining the major characteristics or dimensions of a job.

Job Analysis is fundamental to the preparation of specifications for recruitment, selection, placement, training and guidance of employees. It aids in analysing work processes to find better methods of doing work in connection to work simplification.

Job Description

Job description may be defined as a written statement of the main duties and responsibilities which a job entails. It should include the following information.

a.   Name of job.
b.   Summary of job.
c.   Description of duties performed
d.   Equipment materials and forms used
e.   Special environmental conditions on job that facilitate performing the job such as lighting, elimination of noise, etc.
f.   Relation to other jobs, transfer of work, checking of work of other department etc.
g.   Special qualification of job; mental, physical experience
h.   Pre-requisite knowledge for job.

Job Specification

A job specification, which is also called Man Specification, contains personal capacities and inclinations deemed necessary for successful job performance. In preparing job specification, the minimum requirements for a job may be grouped as.

a.   Mental or educational
b.   Technical or skill based upon previous training, experience and speed in operating mechanical devices.
c.   Physical such as height, strength, heaving, eye-sight and age.
d.   Responsibility for equipment, office records, materials and personal responsibility.

2. Manpower Planning

Manpower planning covers a wide range of human resource management. It includes the following.

a.   taking stock of existing manpower.
b.   determining the status of the available personnel
c.   discovering the untapped talent within the organisation and
d.   assessing the future manpower requirements.

Definition
Edwin B Flippo

An executive Manpower planning programme can be defined as an appraisal of an organisation ability to perpetuate itself with respect to its management as a determination of measures necessary to provide the essential executive talent. There are two objectives of manpower planning.

1.   To utilise the present employees fully, and
2.   To fill future manpower needs.

Thus, through manpower planning, management strives to have right number of and the right kinds of people, at the right place, at the right time, doing things which result in both the organisation and the individual receiving maximum long run benefits.

Features of Manpower Planning

The following are the features of manpower, planning.

1. Manpower planning, includes various aspects of Manpower management, tries to ensure availability of right people in the organisation.
2. In involves determination of future needs of manpower. For this the factors like retirement death, dismissal, resignation etc. are be taken into account.
3. A plan is prepared to form an equilibrium between the demand and supply of man power. Plans are also prepared for matter like recruitment, selection, training devel opment, transfer promotion etc.
4. It deals with effective utilisation of manpower by indicating the various factor which should be considered in this respect like working environment, suitable performance appraisal etc.

Objectives of Manpower Planning

The objectives of manpower planning at the organisational level are as follows.

1. To enable an organisation to forecast its manpower requirement.
2. To help the organisation to match its manpower with skills necessary for achieving its objectives.
3. To help the organisation to know how its personnel are employed and how their skills, are being used in order to reduce the chances or overmanning or misutilisation of man-power.
4. To facilitate similar approach in other aspects of staffing like recruitment selection, training, and development, promotion, performance appraisal etc.

Types of Manpower Planning.

Different types of manpower planning are.

1. Macro Manpower planning at the national level.
2. Micro Manpower planning at the industrial unit level.
3. Short-term Manpower planning for the period of one year.
4. Medium-term Manpower planning for a period so long as 10 to 15 years.

Advantages of Manpower Planning

1. Manpower planning ensures that there is no excess or lack of Manpower in future.
2. It guarantees the availability of persons with required skills for longterm plans.
3. It controls the labour cost effectively.
4. It ensures smooth functioning of the company.
5. It helps to detect the deficiencies of the employees and make arrangements for their training and development.

Recruitment and Selection

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 jobs. Recruitment should be based on sound principles and concerned with not only securing people the organisation needs but also insuring that those selected with remain".

Sources

The two sources of recruitment are:

1.   **Internal Source:** It refers to people currently working is an organisation. From this source, positions are filled through promotions or transfer.

2.   **External source;** Normally following outside sources are utilised for different positions.

        a.   Advertisement

        b.   Employment Agencies.

            i. Public Employment Agencies

            ii. Private Employment Agencies

        c.   Campus Recruitment

        d.   Deputation

        e.   Employee Recommendations

        f.   Labour Unions

        g.   Gate Hiring

Selection

Selection is a deliberate effort of the organisation to select a fixed number of personnel from the large number of applications. It is the process of offering jobs to one or more candidates from among those who have applied for the jobs in the organisation. It is the process of logically choosing individuals who possess the necessary skills and abilities to fill the job. Selection methods may be discussed under the following headings.

1.   **Application**

Receiving application is the first step in the Selection process. Application usually contains information regarding the personal background, educational qualifications, experience and references. Candidates who do not possess the required qualification are eliminated and others are called for preliminary interviews.

2.   **Preliminary Interviews**

The main object of this type of interview is to find out whether candidates are fit for the required jobs or not. That is, to see whether the applicant is physically and mentally suitable for the job.

3.   **Tests**

Tests for applicants are mainly used to collect some more appropriate information which supplements the other processes of selection. These tests are based on some industrial and psychological theories of individual behaviours. Tests are conducted to measure the skills and abilities of prospective candidates in terms of job specifications.

The following are the tests for selection of workers.

        a.   Intelligence tests

        b.   Trade tests

        c.   Aptitude tests

        d.   Interests tests.

        e.   Achievements tests and

        f.   Personality tests.

Intelligence tests

This is the test used to assess the mental powers to understand, grasp and appreciate, ability to judge and make decisions.

Trade tests

To judge the knowledge and skill at the trade, applicants may be asked some questions verbally. Trade tests are useful in spotting the bluffers.

Aptitude tests

Aptitude tests are conducted to judge the present and future potential calibre to perform the task rather than his past achievements.

From these tests, one can judge the mechanical, numerical, musical and clerical ability of the prospective candidates.

Interest tests

These tests are conducted to measure candidates interest in the job

Achievement tests

These tests are designed to assess what one has accomplished during the period of his training on the job.

Personality tests

Personality tests are meant for administrative jobs. These are conducted with he assumptions that personality is a key determinant of job success.

3. Final Interview

Final interview is to give a chance to the management to judge the abilities, qualifications and experience of a candidate before the selection and placement. It is to develop faith and understanding between the management and candidates.

We can classify the techniques of an interview under the following heads.

    i.   Informal interview
    ii.   Formal interview
    iii.   Planned interview
    iy.   Patterned or Directive interview
    v.   Non-directive interview
    vi.   Depth-interview
    vii.   Stress interview
    viii.   Group interview
    ix.   Panel interview

5. Checking References

This procedure aims at ascertaining the correctness of the application. The employer makes enquiries from the refers, takes their impartial opinion about the background, skills, experience, character and ability of the candidates and the suitability for the job.

6. Medical Examination

Candidates will be examined by the doctor of the firm or will be asked to go to a registered medical practitioner to check whether he is suffering from any disease which will render him physically unfit for the job.

7. Placement

The final step in the selection process is to give the appointment order to the candidates specifying the place of work, gross emoluments, hours of work and other terms and conditions.

4. Training and Development

Training is a scientific process whose objectives are to increase the skills, aptitudes, and abilities of the workers in order to efficiently perform the assigned jobs of the firm. The training will provide opportunities to workers to develop their skills, learn technical knowledge and ability to solve the problems which will come before them and to perform the tasks

Definitions

E.D. Flippo

"Training is the act of in...sing the knowledge and skill of an employee for doing a particular job"

Michael I Juscius

The term training is used to indicate only a process by which the aptitude, skills and abilities of employees to perform specific jobs are increased.

Objectives of Training

The main objectives are

i.   To develop basic skills in new workers.
ii.   To assist the employees to discharge their duties more effectively,
iii.   To build up confidence for further promotion
iv.   To assist the senior officers by exchanging thoughts based on previous and present knowledge.
v.   To provide competent manpower at all levels and jobs,
vi.   To adopt new systems of management in place of traditional systems.

Methods of Training

Training methods can be divided into two categories as follows,

i.   On the job training
ii.   Off-the job training

On the job-Training -

On the job training is concerned with developing the employees in the present job. The following methods are employed in this direction.

1. Apprenticeship

Under these method, a worker is appointed as an apprentice under a qualified senior worker. The apprentice learns the work by observing and asking the senior. This method is used in skilled trades such as carpentry, bricklaying, tailoring etc.

2. Coaching and Counselling

Under this method a senior executive is assigned the responsibility of imparting the skills needed for a management trainee to become an affection manager.

3. Vestibule Training

Under this method the new workers are trained by experienced instructors on a separate and specific machine located near the main plant. New workers are trained for that very job which will be given to them after completion of training.

4. Job Rotation

Under this method, a trainee is shifted from one job to another so as to enrich his knowledge and capacity. The job rotation is made on a systematic and regular basis.

5. Committee and Junior Boards

Committee meetings are a useful training device. If conducted properly they enable mem-

bers to interact with one another, pool their ideas and experience, with a view to solving various organisational problems. A junior board is constituted consisting of Middle levels managers to discuss the problems faced by the Board of directors. The suggestions of the Junior board are taken into account by the Board of Directors before taking the final decisions.

Off-The-Job Training

Off-the job training is conducted away from the actual work place. The important methods of this type of training are as follows.

i. Lectures

Lecture course may be used to impart knowledge as also develop analytical abilities among workers. Large enterprises may employ qualified and trained persons to conduct specific lecture courses suited to the needs of different categories of workers.

ii. Conference and Seminars

Conference-provides an occasion for formal interchange of views among the employees of different enterprise.

Seminars and workshops provided by educational institutions and professional bodes may also be of great help in training of the business personnel

iii. Case Studies

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

iv. Role Playing

Role playing is a training method under which participants assume certain roles and enact them spontaneously under classroom conditions. As a training technique, it enables the participants to broaden their-experience by trying various alternative approaches to a problem-situation. Role playing tends to emphasis feelings and relationship between people.

v. Management Games

Management or business games as a training method involves a group exercise in decision making as regards an administrative problem situation. A management game can highlight the strong and week points in an organisation as regards its communication system group relationships and human factor in decision-making etc.

vi. Bin Storming

It is a problem solving technique which consists of evaluation of ideas put forward by a group of people who are convened specially for this purpose. It enables a problem situation to be looked at from different points of view making it easier to find an optimum solution

vii. Sensitivity training

Sensitivity or VT group training interaction between members of small informal or unstructured groups: Such interaction is under strained conditions so that members become sensitively to each others feeling and develop reasonably effective group activity.

viii. Ascertiveness training

Assertive training (AT) seeks to teach people an alternative set of behaviour in the case of any conflicting situation.

ix. Transactional Analysis

Transactional Analysis (TA) is yet another training method to develop interactive and communication skill. It is a means to known why people are, what they are, and also why they do, what they do. When applied to job situation, it enables a better understanding of how people relate to reach other, and how communication and human relationship between them can be made more effective.

5. Performance Appraisal

Performance appraisal is a process of evaluating the performance of an employee in terms of the requirements of the job. It serves as a basis for improving the quality of the performance of the manager in his work. It is also helps in building a sound personnel policy for an organisation.

Methods of Performance appraisal

The different methods of performance appraisal are as follows

i. Ranking method

Under this method, the employees are ranked in the order of performance. This method is useful in small organisations. The best employee is placed in the first rank and the poorest in the last rank. The management normally selects some acceptable determinants on the basis of which ranks are assigned.

ii. Man to Man Comparison

Under this method certain personality factors such as leadership, initiative, dependability and so on, are selected for purpose of analysis. A scale is developed for each factor. Instead of comparing a man to another, personnel are compared to key-men, one factor at a time.

iii. Grading method

Here certain categories of grade are established in advance and are carefully defined (e.g) Outstanding, satisfactory and unsatisfactory. Employees' performance is then compared with these grade definitions and the person is allocated to the grade which best describes his performance.

iv. Graphic Scale

Scales are established for a number of specific factors. Qualities are represented on a scale. The rate indicates the degree to which an employee possesses the standard factor of quality.

v. Paired comparison

In this method each man is compared with every other man, one at a time. The number of comparisons to be made in N (N-I) 2

Here 'N' equals the number of persons to be compared.

vi. Forced Choice method

In this method the rating elements are sets of four phrases or adjectives pertaining to the proficiency or personal qualifications such as

        a.   industrious

        b.   indifferent

        c.   loyal

        d.   commands respect

The rather indicate which of the four is most characteristic of the rates and which is least characteristic and repeats this selection for each of the sets includes.

vii. Critical Incident Techniques

It is based on an important assumption, that is to say, each job called for several requirements on the part of the workers, and that atleast some of these requirements are critical-either a workers performance is extremely good, or it is extremely bad. The raters are asked to identify the incidents that are extremely good or bad. The superior continuously records these incidents under different columns provided in a specially designed note-book. Gradually, a record of debit and credit is built up. This evidence becomes the basis of evaluation.

Assignment

1. Explain the concept of staffing and briefly discuss the significant activities performed in this connection.

2. What do you mean by Manpower planning? What are the steps involved in preparing Manpower Plan?

3. "In the organising process staffing is an important managerial functions, Discuss.

4. Comment on managerial recruitment, selection and induction.

5. What do you mean by selection for employment? Outline a suitable selection process for a large business organisation

6. How will you identify training need of an employee? What are the major areas in which employees need training?

7. What are the different techniques of training? Discuss the relationship between level of management and training techniques.

8. Give the precise idea about.
   a. On-the job management development techniques and
   b. Off-the-job techniques of training and development of managers.

9. Describe the advantages of a training programme and give an account of the training practices in Indian Industry.

10. What is performance appraisal? What are the essentials of a good appraisal system?

Chapter-14

FUNDAMENTALS OF DIRECTING

Directing is to point or aim, to point out proper course to , guide, to order, to plan and to supervise, counsel, command. Direction starts right from the top and flows to the bottom. Every manager in the organisation gives direction to his subordinates and receives direction in turn from his superiors.

Direction is concerned with instructing, guiding and inspiring the human element in the organisation to achieve organisational objectives. Direction initiates action, integrates employees efforts, draws the best out of individuals, facilitates changes in the organisation and provide stability and balance in the organisation.

Definition

1. Koontz and V Donnel

Direction is a complex function that includes all those activities which are designed to encourage subordinates to work effectively and efficiently in both the short and long run.

2.E.Dale

Directing its telling people what to do and seeing that they do it to the best of their ability?

Characteristics of Direction

The important characteristics of Direction are

1.   Direction is a managerial process
2.   It is a continuous process around which all managerial functions evolve.
3.   The top level management in the organisation initiates direction and it is followed through the hierarchy.
4.   The aim of direction is maintaining harmony among employee in the organisation.
5.   Direction provides a link between the different functions in an organisation.

Importance of Direction

Direction is of great importance for an enterprise's survival and success. This is an important managerial function because it is through effective direction that managerial decisions are put into action by other people. Thus it is the "make happen" phase of management. Direction is important because it integrates employees efforts. It bridges the gap between managerial decisions and its implementation. It provides stability and balance in the organisation. It attempts to get the maximum out of individuals. Good planning may ensure the achievement of the predetermined objectives only when human effort largely diverse, are co-ordinated guided and directed for the accomplishment of the objectives.

Elements of Direction

The direction function includes the following

1.   Supervision
2.   Leadership
3.   Motivation
4.   Communication.

1. Supervision

It means overseeing the subordinates at work and is concerned with initiating action and implementing direction, plans and programmes with a view to accomplishing the stated objectives.

2. Leadership

It is concerned with the ability of a manager to induce his subordinates to strive willingly for mutual goals.

3. Motivation

It means a predisposition to act in the specific goal directed manner. It points to the state of an individuals perspective which represents the strength of his or her desire or propensity to exert effort towards some particular behaviour.

4. Communication

It means the process of imparting information from one person to another, or from one process to another, in automated systems. It helps to modify human behaviour, effect change, make information productive and accomplish goals.

Principles of Direction

Direction deals with people whose behaviour and attitude are quite unpredictable. So man agers should follow some principles while directing their subordinates. They are as follows.

1. Harmony of Objectives

There must be harmony or fusion between the objectives of a subordinates and those o enterprise emphasises interpersonal aspects of managing. When both interests are integrated. Con tribution of subordinates to the company goals will be maximum and the directing process will be effective.

2 Unit of Command

Command must come from one executive only. Employees should receive orders and in struction only from one supervisor, otherwise, authority is undermined, discipline is in danger, disorder and confusion will be created and stability may be lost.

3. Direct supervision

Principle of supervision refers to direct supervision of the activities by superiors. Since direct supervision involves face to face communication, it solves the problems of employees and boosts their morale.

4. Democratic Managerial Style

Modern direction must adopt democratic, participative, managerial style particularly when workers and subordinates are competent and desire active participation in management of the en terprise.

5. Principle of Efficiency Direction

An effective direction tries to get work accomplished by subordinates without affecting their need satisfaction adversely.

6. Maximum Individual Contribution

Management should adopt that direction technique which enables subordinates to contrib ute maximum.

7. Effective Managerial Communication

The success of any organisation depends upon effective communication between Superior and his subordinates and vice versa.

8. Use of Informal Organisation

People working together develop certain relationship known as informal group or organisation. Management should try to understand spot and make use of such informal organisation for making direction most effective.

9. Leadership

Managers need to become leaders. So that they can influence the activities of their subordi nates without dissatisfying them.

10. Follow through

Directing is not only telling people what to do but also seeing that they do it as per your plan. Effective direction demand achievement of results and this can be assured only by overseeing subordinates, in addition to issuing orders, instruction and direction, to subordinates.

Techniques of Direction

Effective direction can be achieved by adopting one or more of the following techniques.

     1.   Consultative direction

     2.   Free Rein direction and

     3.   Autocratic direction

1. Consultative direction

Under this method the executive consults his subordinates concerning the feasibility, the workability and the extend and content of a problem before the superior makes a decision and issue a directive.

2. Free Rein direction

Under this technique, the superiors motivate the subordinates to contribute their ideas, thoughts etc for solving a problems. This techniques encourages and enables the subordinates to contribute his own initiative, independent thought, drive, to the solution of the problem.

3. Autocratic Direction

Under this technique, the superiors give direct, clean and precise orders to his subordinates, with detailed instructions as to how and what is to be done, allowing no room for the initiative of the subordinates.

Assignment

     1.   What is direction? Explain the scope and role of direction in the management of a enterprise.

     2.   "Direction involves basically the understanding of human behaviour and guiding the behaviour in specific direction Discuss.

     3.   What are the principles of direction? Comment on the different aspects of direction.

     4.   Define Direction and discuss its importance in management .

     5.   In the absence of direction, there may be incongruence between individual goals , and organisational objectives". Comment

     6.   What are the techniques of direction ?

     7.   What do the directing function of management involve? Discuss the importance of directing in management process.

Chapter -15

COMMUNICATION

The word communication is derived from the Latin word" Communist" which means common. Thus communication means sharing ideas in common.

In its simplest form communication can be viewed as a transfer of message from one individual to another. However if communication is to be effective it is important that the message transferred is understood by the receiver.

Definitions

According to Peter Little, "Communication is the process by which information is transmitted between individuals and /or organisations. So that understanding response results".

William Scott in his organisation theory defines communication in the following way.

Administrative communication is a process which involves the transmission and accurate replication of ideas ensured by feed back for the purpose of eliciting actions which will accomplish organisation goals.

Nature of Communication

The following are the characteristics of effective communication.

1.   Communication is a two-way traffic. There should be a sender and a receiver of the message communicated.

2.   The sender's message should be understood by the receiver in the same sense.

3.   The transmitted message should give out ideas, information or facts which should be of interest to the receiver.

4.   Message may be transmitted orally, in writing or through appropriate gestures.

5.   Communication may be formal or informal

Importance of Communication

The importance of communication can be described as follows.

1. Promotion of managerial efficiency

As management is the task of getting the work accomplished through efforts of other personnel, it is communication that can keep the personnel working in accordance, with the desire of managers. Thus efficiency of a manager lies in his ability to communicate with other personnel.

2. Quick decision and Implementation

A continuous flow of information enables the executives to take decisions quickly and implement them without delay. Therefore, effective communication is a pre-requisite for solving managerial problems.

3. Aid to Leadership

Through an effective two way communication the management can assume the role of a leader, and the workers can become willing and energetic followers.

4. Co-operation through understanding

Effective communication increases understanding of employees, gains their willing acceptance and leads them to greater efforts.

5. Means of Co-ordination

Proper and effective communication acts as a cementing force in uniting the members of an enterprise into a well-knit and well-directed team.

6. Provision of job satisfaction

Effective communication satisfies personal and social needs of human beings and stimulates their job interest and enthusiasm.

7. Aid to economy intime and effort

Effective means of communication also result in a great saving of time and effort, the two most important factors that ensure efficiency and effectiveness in a business concern.

Objects of Communication

The Objective of Communication are as follows.

1.   Providing information from the external and internal sources to all the concerned persons to bring about a change for the better because it effects the decision

2.   To advise the concerned people to take action.

3.   Conveying and operating the orders for receiving reports.
4.   Conveying suggestions and programmes.
5.   Development of training of employees.
6.   Giving warnings to the erring persons.
7.   Raising the morale, confidence and courage of the personnel in frustrating or unfavourable circumstances.
8.   Motivating, so that the employees can be induced to act.
9.   Maintaining coordination so that the harmonious achievement of individual efforts towards the accomplishment of group of general goals could be promoted.

Types of Communication

Communication may be classified on more than one basis.

1.   On the basis of relationship between the parties concerned.
   - a) Formal or
   - b) Informal
2.   On the basis of its flow of direction
   - a) downward
   - b) upward or
   - c) sideward
3.   On the basis of the methods used for the purpose
   - a) oral
   - b) written or
   - c) gestural

Formal Communication

This type of communication is on a formal relationship that exists in the formal organisation. Formal communication establishes a direct contact between the subordinates and his immediate boss and Vice-Versa. Communication through official channels in known as formal Communication.

These includes the following types namely

1.   Departmental meetings
2.   Conferences
3.   Company new bulletins, and
4.   Special publication

Informal Communication

Informal communication is not associated with the structure of the organisation. This communication is the result of the existence of personnel, social or group relations between people in the organisations. This communication is otherwise known as grapevine communication.

Downward Communication

A communication is called downward when the superiors send message to their subordinates or within the organisation from one level to another.

Upward Communication

A communication is called upward when a subordinate sends or transmits the message to his superior. This can be within the departments between the subordinate and the departmental head or lower manager to the middle level manager or from the middle level manager to the top manage-

ment

Horizontal Communication

Generally this takeplace in a decentralised organization. Subordinates operating at the same level and under the same superior may communicate with one another to exchange information is several respects. The purpose of such communication ensures coordination in operations.

Oral Communication

In oral communication, both the parties to the process namely sender and receiver, exchange their ideas through oral words either in face to face communication or through any mechanical or electrical devise, such as telephone etc.

Written Communication

It is communication in writing. A written communication is conveyed through a letter, reports, circular, notes, memoranda, notices and communique. Written communication is more orderly and binding on subordinates and superiors to take suitable actions in organisation.

The communication process

The process of communication explains how information, meaning and understanding can be transmitted from person to person.

1.	Source	5.	Receiver
2.	Encorder	6.	Decorder
3.	Message	7.	Meaning
4.	Channel	8.	Feedback

MODEL OF COMMUNICATION
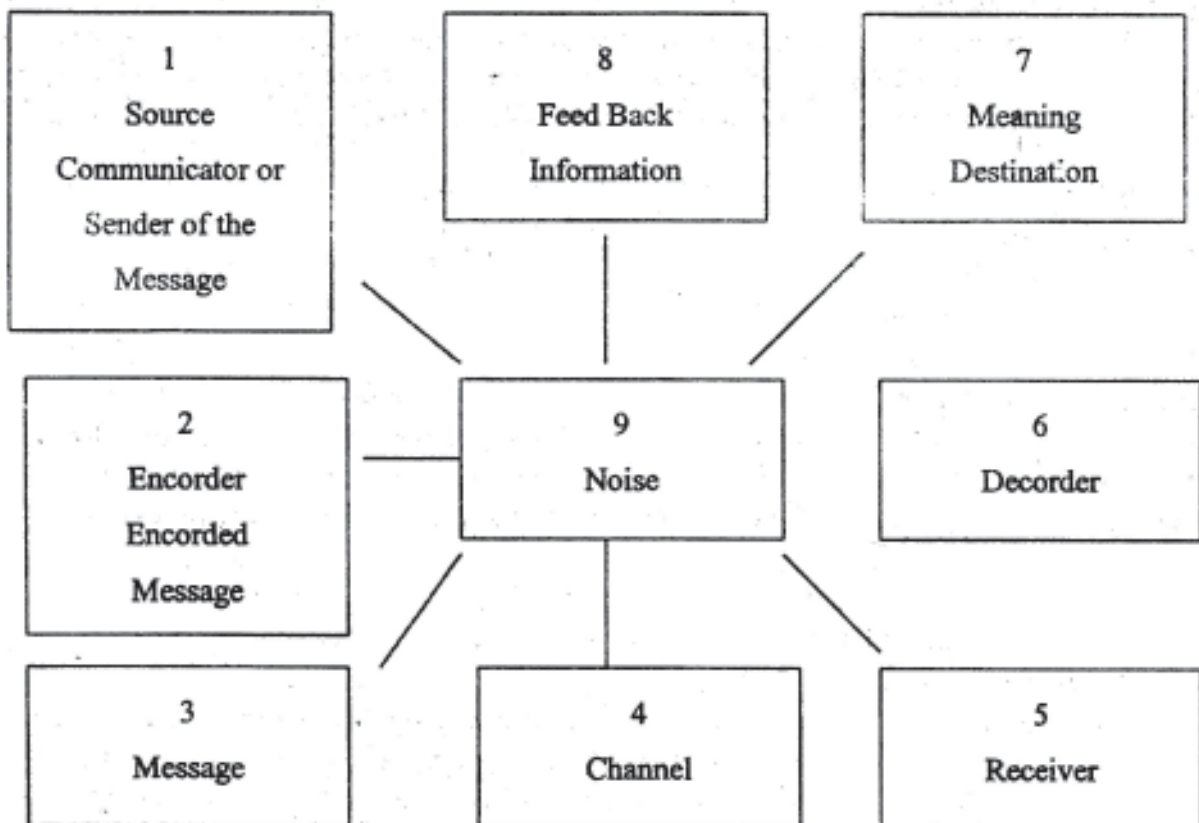
Source

Sender of the message is the source of some thought, need, idea or information, to be transmitted to the receiver

Encorder

The sender is also called encorder. The message is put into a code before it can be transmitted. The code indicates the meaning one wishes to transmit.

Message

It represents the meaning the sender wants to convey to the receiver. It must be understandable to both parties.

Channel 1

It is the medium, used to transfer the message. It is connecting link that connects the sender and the receiver.

Receiver

The receiver is the individual or the organisation for whom the message is encoded and transmitted.

Decoder

The receiver is the decoder and he decodes the message and attaches meaning to it.

Meaning

Communication itself is the conveyance of meaning.

Feed Back

It is a single pointing out to what extent the receiver has really received and understood the sender's message correctly
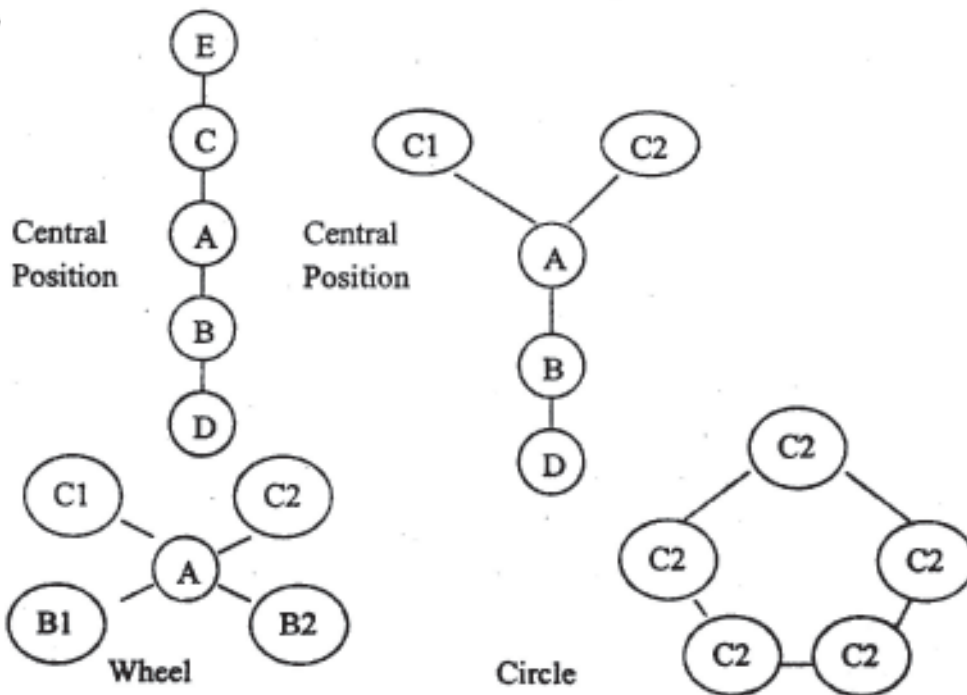
Communication Networks

Communication networks can have different forms or patterns. Four of the commonly used net works are.

Wheel
Circle
Chain
'Y'

Barriers to Communication

The process of communication is not always smooth. It is obstructed by many obstacles or hindrances. These are referred to as barriers of communication. Important barriers to effective communication are

1. Mechanical barriers

They are caused by distortion, filtering and overloading of communication channels, Distortion may be due to noise in the transmission or because the communicator does not use the right words to give meaning to his ideas and interpretation. Filtering is caused due to distance between the communicator and the communicate, overloading is caused by over working of the communication channels due to an increase in the number of messages to be cleared.

2. Organisational barrier.

They may be caused by inadequate or improper arrangements for various intra-organisational communication activities and establishment of inadequate or improper policies and rules as regards communication.

3. Personal barriers.

Failure in communication is also due to personal problem of the person to whom the communication is being addressed. These may be as follows.

> Lack of attention or-interest
>
> Hasty conclusions
>
> Lack of confidence in the communication
>
> Improper state of mind
>
> Love for the status quo.

Ten commandments of Good Communication AMA -1961

American Marketing Association has developed set of 10 suggestions called "The Ten commandments of Good communication

1. Seek to clarify your ideas before communicating
2. Examine the true purpose of each communication.
3. consider the total physical and human setting whenever you communicate.
4. Consult with others, where appropriate, in planning communication.
5. Be mindful, while you communicate the overtones as well as the basic content of your message.
6. Take the opportunity, when it arises, to convey something of help or value to the receiver.
7. Follow up your communication.
8. Communicate for tomorrow as well as today.
9. Be sure your actions support your communication.
10. Seek not only to be understood but to understand, be a good listener.

Assignments

1. What do you understand by the expression "communication1 in management? Discussthe meaning and scope of communication programme.

2. Explain the various types of communication. Discuss the comparative advantages of verbal and written communications.

3. What are the barriers to effective communication? How can the barriers be removed?

4. "Management is like a two-way traffic. It is based on an effective machinery of communication" Discuss.

5. Distinguish between.

    i.   Formal and informal communication.

    ii. Verbal and written communication

    iii. Downward and horizontal communications

6. Name and describe some common patterns of communication networks. State the comparative advantages and disadvantages of wheel and circle net works.

7. Discuss the role and importance of communication in management.

8. Discuss the importance of effective communication for accelerating the productivity of an industrial unit.

9. Explain the requisites for making communication effective.

Chapter-16

MOTIVATION

The term motivation is derived from the work "motive' which means any emotion, need, idea,organic state which causes motion. The concept of motivation is mainly psychological. It relates to those forces operating within the individual employees or subordinates which impel and to act or not in certain ways. Psychologists define motivations as that which arouses behaviour, sustains behaviour and channels behaviour into a specific course. Motivation is always internal to the person. It is externalised via behaviour-motivation behaviour-goal is called the cycle of motivation. They cycle continues till the goal.is achieved.

Definitions

Koontz and O'Donnel

"Motivation is a general term applying to the entire class of drives, desires, needs, wishes and similar forces that induce an individual or a group of people to work".

MJ. Jucius

"Motivation is the act of stimulating some one or oneself to act upon a desired course of action, to push the right button to get desired action".

Edwin BFlippo

"Motivation is the process of attempting to influence others to do your will through the possibility of gain or reward

Characteristics of Motivation

The important characteristics of motivation are •

1. Motivation is a psychological of motion or concept

Motivation deals with workers on the psychological plane. Even workers with extra ordinary abilities will not be able to perform as desired until they are effectively motivated.

Effective performance on the part of the workers can be said to be the result of their abilities backed by proper motivation. Thus, performance = Abilities Opportunity Motivation

2. Motivation is total not piece meal

A worker cannot be motivated in parts. For successful motivation, he should be treated as an indivisible unit, taking into account all his urges and aspirations.

3. Motivation is a continuous process

It is never ending process because the needs of human beings are unlimited and the attitudes of the personnel change according to those needs, so it is not possible that once you have motivated the personnel, they will work with a zeal to achieve the objectives of the organisation for ever.

4. Motivation can be Positive or Negative

Positive motivation provides something to an employee in the form of additional pay, bonus, promotions etc for better performance. Negative motivation means penalties in the form of demotions, cut in salary etc.

5. Motivation may be financial or non-financial

Financial motivation seeks to satisfy physiological and security needs and it is by way of wages, allowances, bonus, prizes and other perquisites. On the other hand non-financial motivation which seeks to satisfy social recognition, and creative needs may be by way of appreciation for the work done, higher status, and greater responsibility or increased participation in decision making.

Importance of Motivation

Importance of Motivation can be understood through the following activities.

1. High Level of performance

Motivated employee put higher performance as compared to other employees. The high performance is a must for an organisation being successful and this performance comes by motivation.

2. Low employee Turnover and Absenteeism

Motivated employees stay in the organisation and their absenteeism is quite low. High turnover and absenteeism create many problem in the organisation

3. Acceptance of organisation Change

Organisations are created in the society. Because of changes in the society changes in technology value system etc. organisation has to incorporate those changes to cope up with the requirement of time.

4. Help achieving Organisation Goals

Motivation by fulfilling the needs of the employees, causes a feeling of total involvement in the task of the organisation. They work whole heartedly towards the accomplishment of organisation goals.

Approaches to Motivation

Management is required to adopt a number of approaches to motivation for satisfying employee needs and creating the will-to-work in them. These approaches include the following.

a.   The arrangement for face to face personal leadership.

2.   The establishment of a communication net work.

3.   The provision of loose and general supervision

4.   The facility of employee participation

5.   The introduction of employee-centered control.

6.   The integration of pay with social needs.

7.   the adjustment of formal organisation with informal association.

For meeting egoistic needs, two other approaches are as follows.

1.   Enlargement of jobs, particularly job enrichment.

2.   The extension of decentralization.

Motivation: The carrot and the stick

The carrot and the stick approach of motivation comes from the old story that the best way to make a-donkey move is to put a carrot out in front of him or job him with a stick from being. The carrot is the reward for moving and the stick is the punishment for not moving. The carrot and the stick approach of motivation takes the same view. In motivating people for behaviour that is desirable, some carrots, rewards, are used such as money, promotion and other financial and non-financial factors, come sticks, punishments are used to push the people for desired behaviour or to restrains from undesired behaviour.

Methods of Motivation

Methods of motivation are as follows

1.   Financial Incentives

2.   Non-financial Incentives

Financial Incentives

It represent monetary benefits to employees. Money has become a powerful motivator not only to satisfy the physical needs but also obtaining social position and power. Financial incentives may be classified into

1. Individual Financial Incentives

These are plans to stimulate an individual for higher output and to earn higher financial rewards.

(e.g)   Taylor's differential piece rate system

Rowan plan

Haslays efficiency plan

2. Collective Financial Incentive

In ensures higher productivity to the organisation and more income to the employees, (e.g)

Bonus

Profit sharing

Pension plan etc.

Non-Financial Incentives

These incentives are required to satisfy the socio-psychological needs which cannot be gratified by money alone. It gives emotional satisfaction rather than financial satisfaction.

Non financial incentives may be classified into

Individual Incentives

Forms of Individuals incentives are

a.   Status

b.   Promotion

c.   Responsibility

d.   Making job pleasant and Interesting

e.   Recognition of work

f.   Job security

Collective Incentives

Forms of collective incentives are

1.   Team spirit

2.   Creation of Informal groups

3.   Social Importance of work

Institutional Incentives

A good organisational climate motivate people. Institutional Incentives include.

- good human relations

- high morale

- good disciple

- better communicationworkers participation etc.
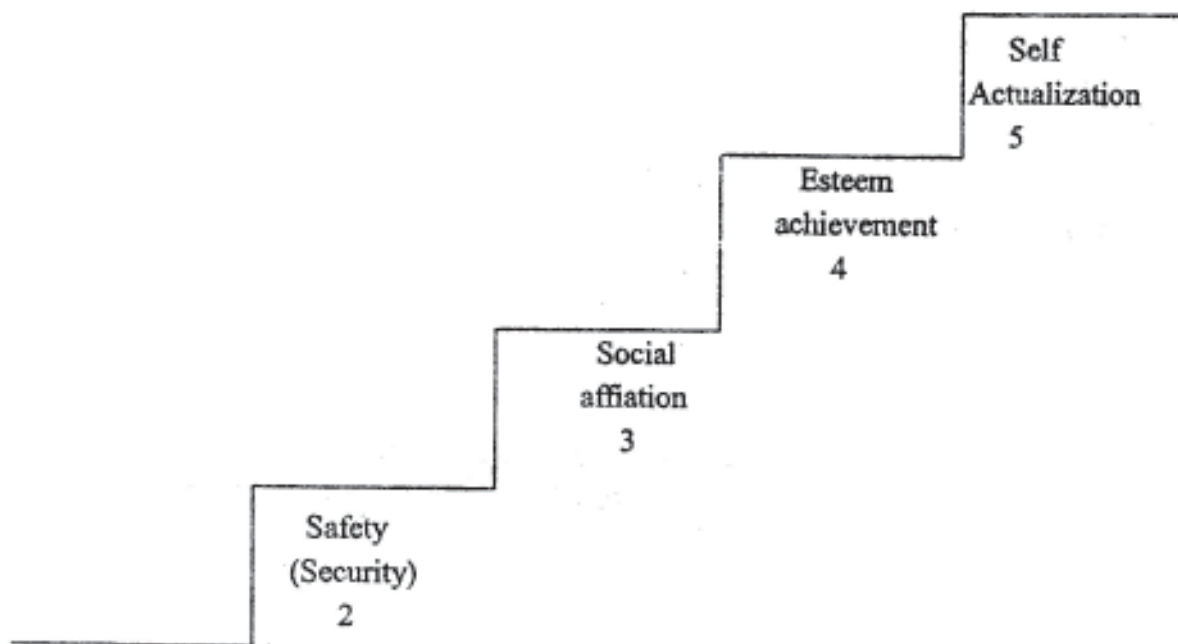
Theories of Motivation

Different experts have advocated different theories as to the nature of human needs as also the order in which he seeks to satisfy them. Some important theories are.

1.   Maslow's theory of Hierarchy of Needs.

2.   Herzberg's Two factor Theory

3.   Mcclelland's Achievement Theory.

4.   Duglas Mc Gregor" Theory X and Theory Y.
5.   Theory Z.
6.   Victor Vroom's Expectancy Theory.

Maslow's Theory of Hierarchy of Needs.

Abraham Maslow's need hierarchy theory, published, in 1943 is one of the most popular theories of Motivation. According to him, the behaviour of an individual is determined by his strongest need at a particular moment. Needs that are not satisfied motivate the behaviour. The needs once satisfied do not serve as a motivator. The needs have a certain priority when can be arranged in the order of priority.

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                                                    ┌──────────────┐
                                                    │ Self         │
                                                    │ Actualization│
                                                    │ 5            │
                                        ┌───────────┘              │
                                        │ Esteem                   │
                                        │ achievement              │
                                        │ 4                        │
                            ┌───────────┘                          │
                            │ Social                               │
                            │ affiation                            │
                            │ 3                                    │
                ┌───────────┘                                      │
                │ Safety                                           │
                │ (Security)                                       │
                │ 2                                                │
    ┌───────────┘                                                  │
    Physiological
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Criticism

i.   The basic assumption of this theory i.e. Need hierarchy does not hold good because ever person has plenty of needs to be satisfied in some order which may not follow Maslow's need hierarchy.

ii.   There is lack of direct cause and effect relationship between need and behaviour.

iii.   It is only an empirical theory which is not scientifically tested.

iv.   This theory does not cover some motivating factors such as perception, expectation, experience. So it is not a scientific theory.

Herzberg"s Two Factor Theory

Herzberg and his associates, based on their research study, developed a theory called TWO Factor Theory or the Dual Factory Theory.

According to this theory man has two categories of needs which are independent of each other and affect behaviour in different ways.

The first category of needs are called.

Hygiene Factors and

The second category of needs are called Motivators

1. Hygiene Factors.

Herzberg viewed that hygiene factors creates zero level of motivation and if maintained at a proper level, prevent negative type of motivation from occurring In other words hygiene factors act as a preventive measure that remove sources of .dissatisfaction from the environment. Hygiene factors include maintenance factors which are necessary to maintain a reasonable level of satisfaction among employees. Besides, these factors produce no growth in a workers output but they prevent loss in performance due to work restriction.

Maintenance Factors

i.	Company policy and administration
ii.	Technical supervision.
iii.	Interpersonal relationship with supervisors.
iv.	Interpersonal relationship with peers.
v.	Interpersonal relationship with subordinates.
vi.	Salary
vii.	Job Security
viii.	Personal life
ix.	Working condition and
x.	Status

2. Motivators

Motivators are essential to provide job satisfaction and to maintain high job performance Motivators act as a stimuli that make people happy in the organisation. Motivators, include the following six factors.

i.	Achievement
ii.	Recognition
iii.	Work itself
iv.	Responsibility
v.	Advancement and
vi.	Growth

An increase in these factors result in an increase in job satisfaction. However a decrease in these factors does not affect the level of satisfaction. So these factors are used to motivate employees for higher output.
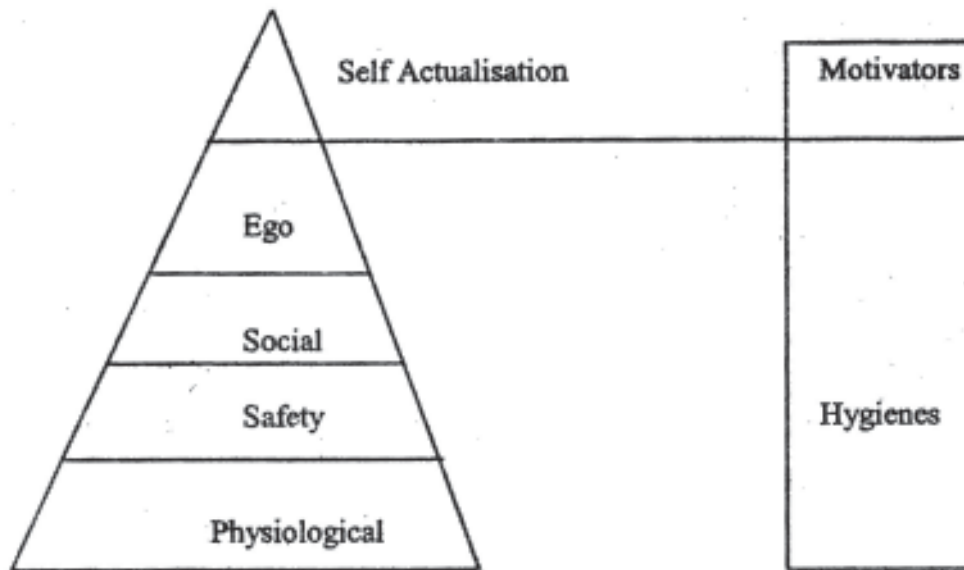
Herzbergs Theory in a nut shell

1.   Hygiene factors

When absent	-	Increase dissatisfaction
When present	-	Prevent dissatisfaction

2.   Motivators

When absent	-	Prevent satisfaction
When present	-	Lead to satisfaction and

Motivation

Comparison of Maslow and Herzberg Models

This makes it evident that motivational factors are equivalent to Maslow's higher order level and hygiene factors are equivalent to lower order needs.

Difference between Maslow's Herzbergs Model

No.	Mater	Maslow's Model	Herzberg's Model
1.	Arrangement of needs	Herarchical arrangement of Needs.	No such arrangement
2.	Concept	Unsatisfied needs encourage behaviour which cause performance	Satisfies need cause performance
3.	Number of needs	5	16
4.	Motivation	All needs are Motivators	Only high order needs are motivators
5.	Applicability	Needs oriented takes into account motivational problems of all workers.	Work oriented motivational problems of professional workers.

Mcclelland's Needs Theory

According to Mcclelland, the need for achievement (n/Ach) is of paramount importance in Management and it can be isolated from other needs and put into a separate group. Achievement motivated people are mostly concerned with personal achievement and they are often found in Sales jobs or as Owner-Manager of their own business. Since they are task oriented and are chief concerned with their own business. Since they are tasks oriented and are chief concerned with their

personal accomplishments, they do not turn out to be good managers, though they prove themselves to be achievers in any organisation.

Mcclelland had found that people with n/Ach quality often comes from middle class families with a definite socio-economic set up. This finding led him to suggest that n/ Ach could be stimulated in people through training programme. His attempts have brought encouraging results and hence this theory is likely to have a great impact on motivational as years roll by.·

Douglas MC Gregor's Theory X and Theory Y

Douglas MC Gregor has made two sets of alternative assumptions about human behaviour in the organisation as Theory x and Theory Y.

The assumption of Theory X

i.   People dislike work.
ii.   People do not accept responsibilities.
iii.   People are not achievement oriented.
iv.   People are self-centered.
v.   Motivation occurs at the lower order needs
vi.   People must be closely controlled.
vii.   People prefer status quo and security.
viii.   People are (likely to be) misled by unscrupulous people since they are simplistic.

The assumption of Theory Y

1.   Work is as nature as play if the situation is positive.
2.   People are ready to accept responsibilities without fear.
3.   People are achievement oriented ·
4.   People are social
5.   Motivation occur at the higher order needs as well as lower order needs.
6.   People can be self-directed and creative at work if properly motivated.
7.   People dislike them but seek changes and challenge in life and work.
8.   People are alert and know the ways of the world.

Theory X

Theory X is a traditional approach of management which is based on the old time honoured assumptions about behaviour. This theory regards that management must employ coercive methods and exercise tight control over employees to accomplish to the objectives. Further, decision making is the exclusive domain of the management and the workers have to follow the decision made for them.

Theory Y

Theory Y is a modern approach of management. According to this theory, managers attempt to help their employees to develop the nature by exposing them to progressively less external control. This theory aims at creating opportunities, removing obstacles, encouraging growth and providing guidance for higher output.

Criticism of the theories

These are not theories about human nature.

1.   People can acquire habits of both achievement and defeat.
2.   Carrot & Stick principle has become absolute.
3.   Conditions for achievement are not existing in fact.

4.   Experience of Theory Y is not happy.
5.   New prescriptions have confounded the situation.
6.   Assumptions for psychological manipulation are absurd.
7.   There is no distinction between manual workers and knowledge workers.

Theory Z of William G. Ouchi, School of Management at the University of California, Los Angles.

Theory Z as, William G. Ouchi has called it, refers to selected Japanese management practices adopted to the environment of the United States. Declining growth rate in productivity in the U.S.A has forced some American companies to look at Japanese management practices like life time employment, interpersonal skills, need for group interactions and consensus decision making as well as on informal and democratic relationship. Theory Z Organisations retain their hierarchical structure along with the individual responsibility for decision making. Participative management based on trust and intimacy facilitated the free flow of information required for reaching consensus and people are seen as Whole human being rather than simply as factors of production.

Victor Vromm's Expectancy Theory

According to Groom under conditions of free choice, an individuals is motivated towards what activity which he is most capable of rendering and which he believes has the highest probability of leading him to his most preferred goal.

This theory is based on the following assumptions.

1.   Individuals make conscious decisions in a work situation to behave in certain ways and not any others.

2.   Outcomes desired by different individuals are determined by their value-systems.

3.   Different individuals have different expectations as regards the amount of effort which is required to achieve particular outcomes.

4.   There are also different expectations among them as regards the probability of suc cess in achieving desired outcomes.

They Key elements of the expectancy model are

a)   effort

b)   performance

c)   outcome

Effort

A person will be motivated to expend effort, if he believes that his effort will pro duce the desired outcome (rewards to satisfy his felt needs)

Performance

If a person does not possess the necessary ability to accomplish a task, he will not be able to perform, whatever the effort put in by him/Relationship between a persons effort and his performance will be determined by his ability or knowledge and skill, as also his perception of what is supposed to do.

Outcome

It signifies the desired result of one's effort

It may lead to extrinsic rewards and intrinsic rewards

Extrinsic rewards - wages, appreciation recognition etc.

Intrinsic rewards -increased responsibility more enjoyable and or challenging work.

This outcome is the motivating factor for the future activities.

Expectancy Model

Valance X Expectance Motivation Action Goal attainment Satisfaction.

Assignment

1. What do you mean by motivation? Explain the simple process of motivation?

2. Explain the importance of motivation in an organisation.

3. Explain the financial and the non-financial incentive methods of motivation.

4. Discuss the theory of motivation advocated by Maslow. Comment on the hierarchy of needs.

5. Explain Maslows need Hierarchy theory. How does it compare with the Two-Factor theory.

6. Point out the difference between positive and negative motivation. Which techniques of positive motivation are most likely to be used when leading a group of research and development scientists; a group of assembly line employee's group of office employees.

7. Explain Vroom's Expectancy Theory.

8. Discuss Mc. Gregor's views regarding motivation. Explain fully the implication of Theory X and Theory Y.

9. Motivation is the core of management. Discuss what can be done to motivate the staff in an industrial organisation.

10. Explain MC Clellan's Theory of motivation. Can achievement motives be developed? Why?

11. Various theories of Motivation approach the problems of motivation from different perspectives but they all emphasis. Similar set of relationship" Explain this statement and bring out the set of relationships.

Chapter-17

LEADERSHIP

Management can get the results from the people in the organisation in two ways,

i) By exercise of authority vested in it or

ii) By winning support of the people

Out of these, the second method is better as it had a lasting effect over the people's motivation. However it is only possible when a manager becomes their leader in the real sense to influence their behaviour in desired direction. This leadership is an essential ingredient for successful organisation.

Need for Leadership

The following reasons highlight the need for leadership.

1 . Imperfect Organisation Structure

Imperfecton of a formal organisation structure maybe corrected only by an effective leadership.

2. Technological, economic and social Changes

In the face of rapid technological, economic and social changes, the organisation is required to effect suitable changes in its operation and style. Only an effective leadership can enable it to meet these challenges posed by environmental factors.

3. Internal imbalances inspired by growth

As an organisation grows in size and complexity it may develop certain imbalance such as problems in command, coordination and control of work at all levels^ Only an effective leadership can assist the organisation through such situations.

4. Nature of human membership

An effective leadership can create a suitable motivational framework which provides for satisfaction of different needs and motives of the organisation members who come from different back grounds as also resolution of individual group conflicts,

Definitions

Chester I Barnarnd

"Leadership is the activity of influencing people to strive willingly for mutual ob jectives"

Koontz and O'Donnel

He defines managerial leadership as "The ability to exert interpersonal influence by means of communication towards the achievement of a goal. Since managers get things done through people, their success depends, to a considerable extent upon their ability to provide leadership"

Characteristics of Leadership

Some important characteristics of leadership are as follows.

1. A leader must have followers. In other words there must be acceptance of his leadership.
2. There must be working relationship between the leader and his followers.
3. The leader by his personal conduct must set an ideal before his followers.
4. There must be community of interest between the leader and his team of workers.
5. Leadership deals with understanding the problems of his followers.
6. Leadership helps others in obtaining specified goals to the maximum satisfaction of both the leader and the followers.

Functions of Leadership

a) Motivating and guiding employees

Leadership guides, inspires and directs group members for achieving a unity of purpose and efforts. It infuses such will-to-do into the group working as to secure the best contribution of human energy.

b) Influencing and shaping the social system

Leadership emerges as a natural process in any grouping of human being. After its emergence leadership persuades the group to have an identity of interest outlook and actions.

c) Understanding following and Securing their Co-operation

A true spirit of Co-operation grows principally out of the manner in which the leader deals with his followers. The leader influences his followers and also is influenced by their problems and feeling.

d) Creating a climate for performance

For creating a climate for performance, the leader must know what motivates his followers and how these motivation operate. If the leader understand the process of motivation, he can get the work done by his followers most successfully.

Importance of Leadership

Without a good leader, organisation cannot function efficiently and effectively. Since organisation is basically a deliberate creation of human beings for certain specified objectives the activities of its members need to be directed to a certain way. Importance of good leadership can be discussed as follows.

1. Motivating Employees

Motivation is necessary for work performance. A good leader in exercising his leadership motivates the employees for high performance.

2. Creating confidence

A good leader my create confidence in his followers by directing them, giving them advice and getting through them good results in the organisation.

3. Building Morale

Through providing good leadership in the organisation, employees morale can be raised high, ensuring high productivity, and stability in the organisation.

Leadership styles and patterns

Certain distinguished leaderships styles and patterns may be classified as follows.

1. The manager makes decision and announces it.
2. The manager sells his decision.
3. The manager presents his ideas and invites questions.
4. The manager presents a tentative decision subject to change.
5. The manager may present the problem get the suggestions and then take his own decision.
6. The manager may define the limits and requests the group to make a decision.
7. The manager may permit full involvement of the subordinates in the decision making process.

Types of Leaders

Messrs. Alford and Beatty have classified leaders into the following six types.

1. Intellectual leaders.
2. Institutional leaders
3. Democratic leaders
4. Autocratic leaders
5. Persuasive leaders
6. Creative leaders

Intellectual leaders

Intellectual leaders are those who win the confidence of their followers by their superior intellect or knowledge. Financial advisor, special officer, legal advisor are examples of intellectual leaders.,

Institutional leaders

An institutional leader is one who holds his position because of force of prestige attached to his office. The position he holds enables him to influence his followers. The principal of a college, managing director of a company are examples of institutional leaders.

Democratic Leaders

A democratic leader is one who always acts according to the wishes of his followers. He does what the gang wants. Such leaders are loyal to his followers.

Autocratic Leaders

A autocratic leader is one who dominates and drives his gang through coercion, command and the instilling of fear in his followers. Such leaders love power and never delegate their authority.

Persuasive leaders

A leaders who gains faith and confidence from the followers is called a persuasive leader. He possess magnetic personality which attracts followers which helps him to get work done by them effectively.

Creative leaders

The creative leader encourages ideas to flow from the group to him as well as from him to the group. He draws out the best from his followers without exerting an undue personal influence on the people.

Qualities of Leadership

According to Henry Fayol, the qualities that a leader must possess are

1. Health and physical fitness
2. Mental vigour and energy
3. Courage to accept responsibility
4. Moral qualities
5. Knowledge
6. Managerial ability

The more important qualities of a leader may be summarised as follows.

1. Physical and Mental

A Leader requires tremendous stamina and vigour to sustain long and irregular hours of work.

2. Emotional stability

A leader should not be unduly be emotional or sentimental. He should not lose his temper or show indecision even in the fact of heavy odds.

3. Sense of Judgements

A leader should possess deep understanding of human behaviour, emotions, sentiments, needs, motives etc.

4. Balance

A leader should be free from bias, prejudice and preconceived notion. Only then he would be able to decide issues on their merits.

5. Understanding and empathy

A Leader should show understanding for others view points.

6. Motivation

Only a person who is himself well motivated can motivate others. The desire to lead people should come from within.

7. Communicating skill

A Leader should be good at communicating ideas, feeling, decision, orders etc.

8. Ability to guide

A Leader should help his subordinate to learn. Both by word and deed, he should demonstrate them the best ways of accomplishing the jobs.

9. Sociability

A Leader should be friendly, helpful and easily accessible to all his subordinates.

10. Technical Competence

A Leader should possess a through knowledge of the theory and practice of his job.

11. Other personal abilities

A Leader should have an attractive and pleasing personality. He should possess optimistic and cheerful outlook. Besides he should be honest, sincere, fair and reasonable in his dealings with his subordinates.

Leadership Theories

Research have developed many theories of leadership in order to identify the face which makes a person a good leader. Broadly the theories of leadership has been classified into the following types.

1. Trait theory

The trait theory explains leadership in terms of personal abilities. According to this theory leadership is the result of some traits which a leader possesses. Traits which represents the sum total of the qualities of a person can either be inherited or developed through training and experience or both .

By 1950 there had been over 100 studies on this kind of basis. Most of them single by the following traits;

1. Physiological Characteristics	-	Age, height, weight,
2. Background Characteristics	-	Education, experience, Social status, mobility
3. Intelligence	-	Ability, Judgement, knowledge
4. Personality	-	Self Confidence, enthusiasm, decisiveness, aggressiveness, extroversion, alertness, dominance, Independence,
5. Task-related Characteristics	-	Initiative, persistence, need for achievement responsibility

6. Social Characteristics	-	Tact, dispolomacy, prestige, supervisory ability, Co-operativeness, popularity.

Trait Theory is over - simplistic in explaining the complex concept of leadership. We still do not have a set of traits which discriminates leader and non-leaders.

2. Behavioural theory

According to this theory, leadership is the result of effective role behaviour. Leadership is shown by a persons acts more than by his traits. So Michigan researchers replaced the role behaviour in the place of traits and developed two leadership styles.

     1. Employee   Centered and

     2. Produced   Centered - which influence performance and productivity.

However this theory fails to integrate the concern for production and people

Managerial Grid theory

It is a very well known theory of leadership by Blake and Mouton which considers both task and person orientation in a varying degree. According to this theory, leaders are most effective when they achieve a high and balanced concern for people and for task.

Situational Theory

According to this theory leadership is widely dependent on a variety of factors, such as the leader himself, the followers and the situation which will include the valued and traditions of one organisation, the effectiveness of the group, the nature of the problem, etc., Specific Situation may make a person a good leader. The thrust of this theory is that the style of leadership adopted in one situation may not be relevant to another situation. This theory states that there cannot be one best of leadership universally applicable to all situations.

Assignment

1. Describe the functions performed by a leader in an organisation.
2. "Dynamic leadership is an integral part of effective management Discuss.
3. "Effective leadership is a function of three factors". The leader, the led and the situation , Discuss
4. Define leadership. Mention the essential qualities of leadership. What are the main leadership function?
5. 'Leadership is situational' Discuss.
6. 'A Good leader is not necessarily a good manager' Discuss this statement and compare leadership with management.
7. "Leaders are not born but made, comment
8. Name and describe the various types of leaders, Can a leader usually be types as being exclusively one kind or another.
9. Briefly discuss the essential qualities of leadership.
10. "A good leader helps his subordinates solve problems by themselves" Comment.
11. Discuss briefly the important leadership theories.
12. "The Successful leaders accurately understands himself the organisation, the individuals and the group he is dealing with and the broader social environment in which be operates" Discuss.

Chapter-18

CONTROL

Control is one of the most important elements of managements. The primary object of control is to bring to light the variations as soon as they appear between performance and standard laid down and then to take steps to present such variations in future. Control is aimed at results and not in people as such.

Nature of organisation Control

Controlling assures that the right things are done in the right manner and at the right time. Control may be viewed as the process by which management assures that the actual activities conform to planned activities. It is the managerial process for measuring progress towards planned performance and when required taking corrective actions.

Purpose of Control

Control fulfills a number of organisational purposes.

1. Control helps to merge short range and long-range plans into a state of greater consistency. It makes certain, over-long periods, of time, that original goals and plans are still being followed.

2. Control helps bring consistency to the activities and accomplishments throughout the organisation.

3. Control ean help bring individuals behaviours in line with organisation goals by monitoring absenteeism, working hours and performance.

Definition

Professor Anthony

Defines controls as "the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organisation's objectives"

Koontzand O'Donnel

"Control, like planning is ideally forward looking and the best kind of managerial control, correct deviations from plans before they occur"

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"

Manager's Responsibilities as Controller

The controller's Institute of America has laid down the following functions of controller.

1. To establish, coordinate and administer, as an integral part of management, as adequate plan for the control of operations.

2. To compare performance with operating plans and standards.

3. To consult with all segment of management responsible for policy or action concerning any phase of the operation of business as it relates to the attainment of objectives.

4.   To administer policies and procedures.

5.   To supervise and co-ordinate the preparation of reports to Government agencies.

6.   To assure fiscal protection to the assets of business through adequate internal control and insurance.

7.   to continuously appraise economic and social forces.

8.   To reinforce the executive whom it serves.

Importance of Control

Control is the most important aspect of a manager's function. The significance of control in an organisation can be judged from the following.

1. Insurance Value of Control

Control eliminates the risk of non-conformity of actual performance with the main goals of the organisation. Control is the function which regulates the operation to ensure the attainment of the set objectives. Regular measurement of work-in-progress with proper adjustment in operations puts the performance on the right track and helps in the achievements of goals.

2. Basis for future action

Control provides the information and facts to the management for planning and organising when the work is completed and the result is evaluated. It would be better to say that future long term planning is not possible unless and unit control information is available in time to managers for the operation of work.

3. Size of the business

A small business can operate its activities, smoothly and efficiency with a few workers. But for a large scale business in the modern times it is quite impossible to work without proper policies, procedures and quality of different varieties of goods. That is why in a large scale organisation there is always the need of a scientific system of control to solve the day to day problem.

4. Indicator for managerial weakness

Control plays the role of an indicator and keeps an eye on the functions of managers for the attainment of goals. In the organisation there will be certain unforeseen and unknown problems which cannot be traced out by mere planning organising and staffing efforts. It is the control process that can trace these out. That is why it is known as an indicator of the managerial weakness.

5. Facility of Coordination

Control will play the role of middlemen between the workers and management to provide the required information intimate to the workers. Further, if proper co-ordination through control exists in the organisation then wastage of time, efforts and money can easily be eliminated.

6. Simplifies Supervision

A systematic system of control helps in finding out the deviation existing in the organisation on which also simplifies the task of the supervisor in managing his subordinates.

7. Extension of decentralisation

When proper procedures, policies, methods, targets etc. are clearly communicated to the

subordinates, they develop self-confidence and need not always refer to their supervisors with the problems. Thus Senior Management people will not waste their time for such problems and would rather utilise their energy for further planning and organisation work.

Areas of Control

Control can focus on any number of organisational areas-depending on the native and characteristics of the organisation

Control may be viewed from the perspectives.

1. Resource focus
2. Level of focus

Resource Focus

Control may be focussed on four different types of resources.

1. Physical resources

Here the control is achieved through such processes as quality control, inventory control and equipment control.

2. Human Resources

Here the control is achieved through proper employee recruitment, selection, training and development, performance appraisal and compensation.

3. Financial Resources

Control of financial resources is associated with the control of all other resources because the outcome of these resource controls may likely to affect the financial conditions of the organisation.

4. Information Resources

Here the control is effected through a well designed management information net work.

Level of Focus

Control may be viewed with respect to level of control focus. For (eg) Operations control is usually applied to more than one operations system within the organisation. For instance, quality control is a form of operation control that is applied through out the organisation. Organisation control deals with the overall functioning of the organisation. Strategic control deals with the organisations ability to analyse and align itself to its external environment.

Three types of Control Methods

The different types of Control methods are as follows.

1. Pre-Control
2. Concurrent Control
3. Post Control

Pre-Control

Pre-Control methods increase the possibility that future actual results will be compared favourably with planned results. Policies are important precontrol methods since they define appropriate future action. Other precontrol methods involve human, capital and financial resources.

Concurrent Control

Concurrent control consists primarily of actions by supervisors who direct the work of their subordinates. Direction refers to the acts managers undertake.

1.   To instruct subordinates in the proper methods and procedures and

2.   To oversee the work of subordinates to ensure that it is done properly.

Post Control.

Post Control employs historical outcomes as bases for correcting future actions. For (eg.) a firms financial statements can be used to evaluate the acceptability of historical results and to determine if changes should be made in future resources acquisitions or operational activities. Four postcontrol methods are widely used in business. Financial statement analysis, standard cost analysis, employee performance evaluation and quality control.

Precontrol, concurrent and post control methods are not mutually exclusive. Rather they usually are combined into an integrated control system. Such a control systems must provide for standards, information and corrective action at every point, from input to process.

Control process

The control Process represents four basic elements

1.   Establishing standards.

2.   Measuring Performance

3.   Comparing Measured performance Against standards

4.   Evaluate Performance and Take Action

1. Establishing Standards

A standard is defined as the end-state of target against which subsequent performance will be compared Standard of performance could include standard costs and standard operating times for the fabrication of component parts. Standard are set for the absenteeism, turnover, customer waiting time, maintenance and repair turn around times, inventory level and quality.

2. Measuring Performance

Performance is defined as the activity or event that is being controlled. Performance needs to be measured constantly in an on going process that provides prompt feed back of accurate and relevant information In Production, performance measures might include production capacity, production volume, quality, unit cost and reject rates. In marketing performance measures might include sales, accounts, receivable margins, and costs of sales.

3. Comparing Measured performance against Standards

The third step in the control process is, comparing the performance measured against the standard, be higher or be lower than the standard. Since few standards are expected to be exactly matched by performance, they are often stated with a plus or minus range for instance, the standard for a length of wire might be two meters, plus or minus one millimeter.

4. Evaluate Performance and Take Action

The last step in the control process calls for an evaluation of the performance of initiating

appropriate action. Managers need solid diagnostic skills in order to perform this step effectively. Following the evaluation, the managers usually has three alternative courses of action from which to choose.

    a.   Maintain the status quo

    b.   Correct the deviation

    c.   Change standards

Maintain the Status quo

If the actual performance falls within the allowable tolerance of the standard, the manager need not take any action.
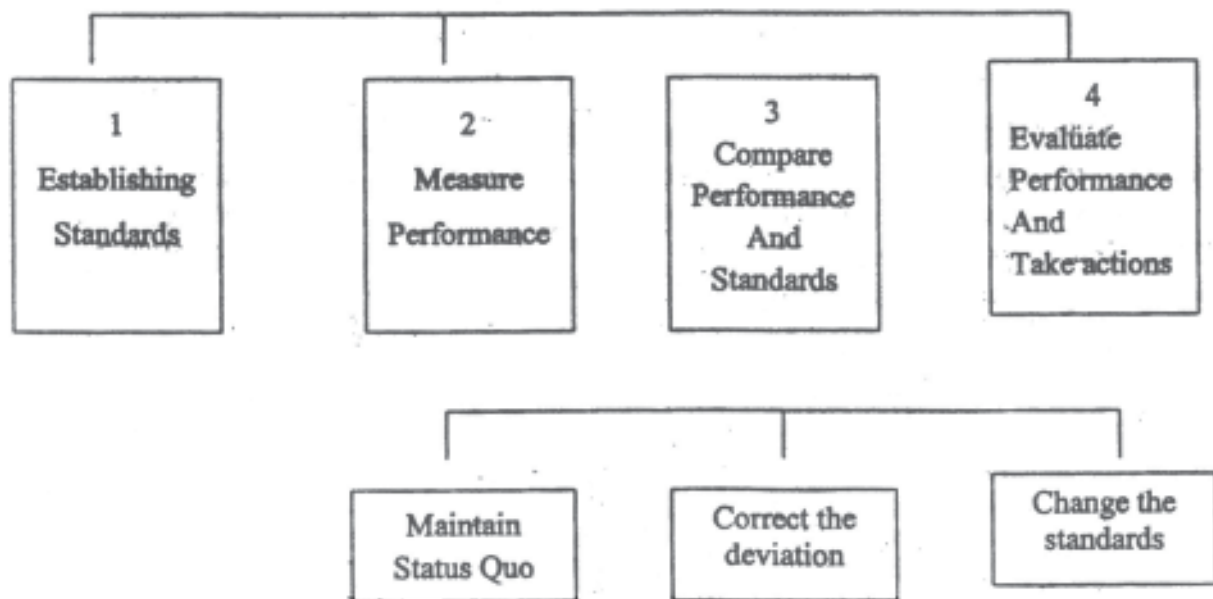
Correct the deviation

If the actual performance fails to meet the performance standard, the management needs to implement action to correct that deviation (e.g) additional employee training, better raw materials product design improvement etc.

Change the Standards

Sometimes standards are set to high to be met in actual practice within time and resource limitations. When this is the case, management must revise the standard to some level within organisation capability & Practicability.

Essential of Effective Control System

1 Establishing Standards	2 Measure Performance	3 Compare Performance And Standards	4 Evaluate Performance And Take actions

Maintain Status Quo	Correct the deviation	Change the standards

Steps in control process (Source Griffin 1990 p. 604)

1. Suitability

The control system should be appropriate in the nature and needs of the activity. There is no hard and fast rule and readymade system of control which give you the correct and most favourable results in all type of organisations and in all circumstances, controls used in the sales departments will be different from those used in finance and personnel.

2. Objective and comprehensible

A system of control can work more effectively when it is based on the main objectives or goals of the organisations. Objectives controls, specify the expected results in clear and definite terms and leave little room for argument by the employees.

3. Flexible

The system of control should be such that it accommodates all changes or failures in plans. The control system should be flexible so that it can be a adjusted to suit the needs of any change in the environment.

4. Economical

The system of control must be economical, The cost of the control system should not exceed its benefits. A system of control to be adopted by the organisation should be cheaper in terms of expenses.

5. Prescriptive and Operational

The Control system should be prescriptive and operational. It must disclose where failures are occurring, who is responsible for them, and what should be done about them. It must focus more on action than on information.

6. Acceptable to Organisation Members

The Control system should be acceptable to organisation members. When standards are set unilaterally by upper level managers there is a danger that employees will regard those standards an unreasonable on unrealistic. They may often refuse to meet them.

7. Reveal exceptions at strategic Points

Small exceptions in Certain area have greater significance than larger deviations in other areas. Hence a control system should be such as to reveal exceptions at strategic points (e.g.) 5% devitations from the standard in office labour cost is more important than 20% deviation from the standard in cost of postage stamps.

8. Motivation

A control system should be such that it should motivate people to high performance. Since most people respond to a challenge, successfully meeting a tough standard may well provide a greater sense of accomplishment that meeting an easy standard.

9. Equal attention to All Aspects

Control over one phase of operations should not lead to less attention to other aspects. For example, if control puts pressure, on employees to increase output, the quality of work, care of equipment, and prevention of waste should not be neglected.

Limitations of control

The control system is not all-cure device and has a number of short coming.

l.Lack of Satisfactory standards

There are many activities involving intangible performance for which no satisfactory standards can be established. Such as results of management development, human relations and public relations. Staff activities of service or advisory nature and other activities concerning human behaviour do not lend themselves to quantification of their output and identification of their level of achievement.

2. Effect of External factors

It is impossible to check and control the external factors. For example, change in the Government and its policy, new inventions or discoveries, changes in the fashions and liking of the consumers etc. cannot be checked by the systems of control.

3. Imperfections in measurement

Intangible performance creates difficulties not only in the case of setting standards, but it is also complicates the task of measuring results for evaluation. If one fails to measure the performance in quantitative and qualitative terms, the results of behavioural and staff activities have to be evaluated by line managers on their own thinking and managerial judgement. Moreover measurement of everything of everybody's work is not feasible on economy consideration.

4. Problem in setting up individual responsibility.

Assignment to individual responsibility for negative deviation from the standard is difficult. This washouts the systems of control completely.

5. Limitation of Corrective Actions

There are several limitations in taking corrective actions and avoiding mistakes. Operating conditions of a business sometime change by external forces over which management has no control. Hence Management does not take corrective action in time to avoid deviation.

6. More expensive device

In order to investigate all the activities one has to appoint more skilled people which requires more money to reward the workers for their work. It therefore becomes a costly affair in terms of money and time.

7. Human reactions to control

Of all the functions of management, control invites greater opposition from subordinates because of its interference with their individual actions and thinking. If the system of control is introduced in the organisation in detail and close check of individual performance exists, then it produces adverse results among lower level managers.

Assignment

1. Define Control. What factors make control possible.
2. Discuss the nature and characteristics of control as one of the fundamental managerial functions.
3. State the steps involved in the establishment of controls. What are the requirements of adequate control systems?
4. "Management Control is based on the flow of information" Explain.
5. Discuss the benefits and limitation of controlling.
6. Analyse the control process with reference to its basic steps. Or Describe the procedure of Control
7. Elucidate the important requirements for making any control system effective in application.