



B.A. ECONOMICS - I YEAR

DJN1C : PRINCIPLES OF MANAGEMENT

SYLLABUS

Unit I Management

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Unit II Planning

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UNIT- I

MANAGEMENT

Management is the administration of an organization, whether it be a business, a not-for-profit organization, or government body. Management includes the activities of setting the strategy of an organization and coordinating the efforts of its employees or volunteers to accomplish its objectives through the application of available resources, such as financial, natural, technological, and human resources. The term "management" may also refer to the people who manage an organization.

Management is also an academic discipline, a social science whose objective is to study social organization and organizational leadership.

Definitions on Management:

According to **Harold Koontz**, "Management is the art of getting things done through and with people in formally organised groups."- in his book "The Management Theory Jungle".

According to **Henri Fayol**, "To manage is to forecast and to plan, to organise, to command, to co-ordinate and to control."- in his book "Industrial and General Administration".

According to **Peter Drucker**, "Management is a multi-purpose organ that manages business and manages managers and manages workers and work."- in his book "The Principles of Management".

According to **Mary Parker Follet**, "Management is the art of getting things done through people."

According to **William F. Glueck**, Management is the effective utilization of human and material resources to achieve the enterprise objective.

Nature of Management

Universal process: Wherever there is human activity, there is management. Without efficient management, objectives of the company cannot be achieved.

Factor of production: Qualified and efficient managers are essential to utilization of labor and capital.

Goal oriented: The most important goal of all management activity is to accomplish the objectives of an enterprise. The goals should be realistic and attainable.



Supreme in thought and action: Managers set realizable objectives and then mastermind action on all fronts to accomplish them. For this, they require full support from middle and lower levels of management.

Group activity: All human and physical resources should be efficiently coordinated to attain maximum levels of combined productivity. Without coordination, no work would be accomplished and there would be chaos and retention.

Dynamic function: Management should be equipped to face the changes in business environment brought about by economic, social, political, technological or human factors. They must be adequate training so that can enable them to perform well even in critical situations.

Social science: All individuals that a manager deals with, have different levels of sensitivity, understanding and dynamism.

Important organ of society: Society influences managerial action and managerial actions influence society. It is the manager's responsibility that they should also contribute towards the society by organizing charity functions, sports competition, donation to NGO's etc.

System of authority: Well-defined lines of command, delegation of suitable authority and responsibility at all levels of decision-making. This is necessary so that each individual should know what is expected from him and to whom he needs to report to.

Profession: Managers need to possess managerial knowledge and training, and have to conform to a recognized code of conduct and remain conscious of their social and human obligations.

Process: The management process comprises a series of actions or operations conducted towards an end.

Scope of Management

Although it is difficult to precisely define the scope of management, yet the following areas are included in it:

1. **Subject-matter of management:** Planning, organizing, directing, coordinating and controlling are the activities included in the subject matter of management.

2. **Functional areas of management:** These include:

Financial management includes accounting, budgetary control, quality control, financial planning and managing the overall finances of an organization.

Personnel management includes recruitment, training, transfer promotion, demotion, retirement, termination, labor-welfare and social security industrial relations.



Purchasing management includes inviting tenders for raw materials, placing orders, entering into contracts and materials control.

Production management includes production planning, production control techniques, quality control and inspection and time and motion studies.

Maintenance management involves proper care and maintenance of the buildings, plant and machinery.

Transport management includes packing, warehousing and transportation by rail, road and air.

Distribution management includes marketing, market research, price-determination, taking market risk and advertising, publicity and sales promotion.

Office Management includes activities to properly manage the layout, staffing and equipment of the office.

Development management involves experimentation and research of production techniques, markets, etc.

3. **Management is an inter-disciplinary approach:** For the correct implementation of the management, it is important to have knowledge of commerce, economics, sociology, psychology and mathematics.

4. **Universal application:** The principles of management can be applied to all types of organizations irrespective of the nature of tasks that they perform.

5. **Essentials of management:** Three essentials of management are:

- Scientific method
- Human relations
- Quantitative technique

6. **Modern management is an agent of change:** The management techniques can be modified by proper research and development to improve the performance of an organization.

Salient Features of Management

Following are the salient features of management

1. Continuous and never ending Process.
2. Art of getting work done from people.
3. Is Result-Oriented.
4. Multidisciplinary in nature.
5. Group and not an individual activity.
6. Follows established principles or rules.



7. Aided but not replaced by computers.
8. Situational in nature.
9. Separate from ownership.
10. Both an art as well as a science.
11. Is all pervasive.
12. Intangible but its impact is felt.
13. Uses a professional approach in work.
14. Dynamic in nature.

Important Characteristics of Management

The following characteristics of management are as follows:

1. Management is Goal-oriented Process:

No goal in the hand no need of management. In other words, we need management when we have some goals to be achieved. A manager on the basis of his knowledge and experience tries to achieve the goals which are already decided. Hence, nothing is wrong to say that management is a goal-oriented process.

2. Management is All-pervasive:

Management is a universal phenomenon. The use of management is not restricted to business firms only it is applicable in profit-making, non-profit-making, business or non-business organisations; even a hospital, school, club and house has to be managed properly. Anything minus management is nothing or zero. If we deduct management out of these activities, the result will be failure or zero. It means management is necessary to conduct any type of activities. Hence, it is pervasive or universal.

3. Management is Multidimensional:

The management is a three-dimensional activity:

(i) Management of Work:

All organisations are set up to perform some task or goal. Management activities aim at achieving goals or tasks to be accomplished. The task or work depends upon the nature of Business for example, work to be accomplished in a school is providing education, in hospital is to treat patient, in industry to manufacture some product. Management makes sure that work is accomplished effectively and efficiently. Every organisation is established for doing some work, like a school provides education, a hospital treats patients, a factory produces, etc. Of these, no work can be completed satisfactorily without management,



(ii) Management of People:

People refer to Human resources and Human resources are the most important assets of an organisation. An organisation can win over competitor with efficient employees only because two organisations can have same physical, technological and financial resources but not human resources. Management has to get task accomplished through people only. Each organisation is established for doing some work and the same is conducted by people. Hence, it is necessary to manage the people so that the work can be accomplished in a better way.

Managing people has two dimensions:

- a) Taking care of employee's individual needs.
- b) Taking care of group of people.

(iii) Management of Operations:

To achieve the goals of an organisation many operations or activities need to be conducted, such as, production, sale, purchase, finance, accounting, R&D, etc. Again, management is needed to make sure that operations are accomplished efficiently and effectively.

4. Management is a Continuous Process:

The various managerial activities cannot be performed once for all, but it is a continuous process. A manager is busy sometimes in doing one managerial activity and at other times some other activity.

Operations refer to activities of production cycle such as buying inputs, converting them into semi-finished goods, finished goods. Management of operations concentrates on mixing management of work with management of people, i.e., deciding what work has to be done, how it has to be done and who will do it.

5. Management is a Group Activity:

Management always refers to a group of people involved in managerial activities. The management functions cannot be performed in isolation. Each individual performs his/her role at his/her status and department, and then only management function can be executed.

6. Management is a Dynamic Function:

Management is a dynamic activity as it has to adjust itself to the regularly changing environment. In this context, it can be rightly said that nothing is eternal in management.



It is necessary here to clearly understand that the recognition of management in the form of group is only in reference to big organisations, because in these kinds of organisations many managers are appointed at various managerial levels.

On the other hand, in small organisations only one manager is sufficient as he can himself manage all the affairs of the organisation. For these kinds of organisations it would not be right to call management a group activity.

7. Management is an Intangible Force:

Management is that power which cannot be seen. It can only be felt. If any organisation is heading toward higher levels of achievement, it signifies the existence of good management and vice versa. In other words, achievement reflects the quality of management and its effectiveness.

8. Composite process

Management consists of series of functions which must be performed in a proper sequence. These functions are not independent of each other.

They are inter-dependent on each other. As the main functions of management are planning, organising, staffing, directing and controlling; organising cannot be done without doing planning, similarly, directing function cannot be executed without staffing and planning and it is difficult to control the activities of employees without knowing the plan. All the functions inter-dependent on each other that is why management is considered as a composite process of all these functions.

9. Balancing effectiveness and efficiency

Effectiveness means achieving targets and objectives on time. Efficiency refers to optimum or best utilisation of resources. Managements always try to balance both and get the work done successfully. Only effectiveness and only efficiency is not enough for an organisation: a balance must be created in both.

For example, if the target of an employee is to produce 100 units in one month time and achieving the target by wasting resources and mishandling the machinery, will not be in the interest of organisation. On the other hand, if the employee spends lot of time in handling the machine carefully and managing the resources carefully and fails to complete the target on time, it will also not be in the interest of organisation. Manager sees to it that this target is achieved on time-and with optimum use of resources.



Objectives of Management

The main objectives of management are:

1. Getting Maximum Results with Minimum Efforts

The main objective of management is to secure maximum outputs with minimum efforts & resources. Management is basically concerned with thinking & utilizing human, material & financial resources in such a manner that would result in best combination. This combination results in reduction of various costs.

2. Increasing the Efficiency of factors of Production

Through proper utilization of various factors of production, their efficiency can be increased to a great extent which can be obtained by reducing spoilage, wastages and breakage of all kinds, this in turn leads to saving of time, effort and money which is essential for the growth & prosperity of the enterprise.

3. Maximum Prosperity for Employer & Employees

Management ensures smooth and coordinated functioning of the enterprise. This in turn helps in providing maximum benefits to the employee in the shape of good working condition, suitable wage system, incentive plans on the one hand and higher profits to the employer on the other hand.

4. Human betterment & Social Justice

Management serves as a tool for the upliftment as well as betterment of the society. Through increased productivity & employment, management ensures better standards of living for the society. It provides justice through its uniform policies.

Importance of Management

1. It helps in Achieving Group Goals

It arranges the factors of production, assembles and organizes the resources, integrates the resources in effective manner to achieve goals. It directs group efforts towards achievement of pre-determined goals. By defining objective of organization clearly there would be no wastage of time, money and effort. Management converts disorganized resources of men, machines, money etc. into useful enterprise. These resources are coordinated, directed and controlled in such a manner that enterprise work towards attainment of goals.

2. Optimum Utilization of Resources

Management utilizes all the physical & human resources productively. This leads to efficacy in management. Management provides maximum utilization of scarce resources by



selecting its best possible alternate use in industry from out of various uses. It makes use of experts, professional and these services leads to use of their skills, knowledge, and proper utilization and avoids wastage. If employees and machines are producing its maximum there is no under employment of any resources.

3. Reduces Costs

It gets maximum results through minimum input by proper planning and by using minimum input & getting maximum output. Management uses physical, human and financial resources in such a manner which results in best combination. This helps in cost reduction.

4. Establishes Sound Organization

No overlapping of efforts (smooth and coordinated functions). To establish sound organizational structure is one of the objective of management which is in tune with objective of organization and for fulfillment of this, it establishes effective authority & responsibility relationship i.e. who is accountable to whom, who can give instructions to whom, who are superiors & who are subordinates. Management fills up various positions with right persons, having right skills, training and qualification. All jobs should be cleared to everyone.

5. Establishes Equilibrium - It enables the organization to survive in changing environment. It keeps in touch with the changing environment. With the change is external environment, the initial co-ordination of organization must be changed. So it adapts organization to changing demand of market / changing needs of societies. It is responsible for growth and survival of organization.

6. Essentials for Prosperity of Society - Efficient management leads to better economical production which helps in turn to increase the welfare of people. Good management makes a difficult task easier by avoiding wastage of scarce resource. It improves standard of living. It increases the profit which is beneficial to business and society will get maximum output at minimum cost by creating employment opportunities which generate income in hands. Organization comes with new products and researches beneficial for society.

Levels of Management

The term “**Levels of Management**’ refers to a line of demarcation between various managerial positions in an organization. The number of levels in management increases when the size of the business and work force increases and vice versa. The level of management determines a chain of command, the amount of authority & status enjoyed by any managerial position. The levels of management can be classified in three broad categories:

1. Top level / Administrative level



2. Middle level / Executory
3. Low level / Supervisory / Operative / First-line managers

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



Top Level of Management

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

- a. Top management lays down the objectives and broad policies of the enterprise.
- b. It issues necessary instructions for preparation of department budgets, procedures, schedules etc.
- c. It prepares strategic plans & policies for the enterprise.
- d. It appoints the executive for middle level i.e. departmental managers.
- e. It controls & coordinates the activities of all the departments.
- f. It is also responsible for maintaining a contact with the outside world.
- g. It provides guidance and direction.
- h. The top management is also responsible towards the shareholders for the performance of the enterprise.

Middle Level of Management

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



of middle level of management but in big enterprises, there may be senior and junior middle level management. Their role can be emphasized as -

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

Lower Level of Management

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

- a. Assigning of jobs and tasks to various workers.
- b. They guide and instruct workers for day to day activities.
- c. They are responsible for the quality as well as quantity of production.
- d. They are also entrusted with the responsibility of maintaining good relation in the organization.
- e. They communicate workers problems, suggestions, and recommendatory appeals etc to the higher level and higher level goals and objectives to the workers.
- f. They help to solve the grievances of the workers.
- g. They supervise & guide the sub-ordinates.
- h. They are responsible for providing training to the workers.
- i. They arrange necessary materials, machines, tools etc for getting the things done.
- j. They prepare periodical reports about the performance of the workers.
- k. They ensure discipline in the enterprise.
- l. They motivate workers.



m. They are the image builders of the enterprise because they are in direct contact with the workers.

Difference between Management and administration

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

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

The difference between Management and Administration can be summarized under 2 categories:

1. Functions
2. Usage / Applicability

On the Basis of Functions: -

Basis	Management	Administration
Meaning	Management is an art of getting things done through others by directing their efforts towards achievement of pre-determined goals.	It is concerned with formulation of broad objectives, plans & policies.
Nature	Management is an executing function.	Administration is a decision-making function.
Process	Management decides who should do it & how should he do it.	Administration decides what is to be done & when it is to be done.
Function	Management is a doing function because managers get work done under their supervision.	Administration is a thinking function because plans & policies are determined under it.
Skills	Technical and Human skills	Conceptual and Human skills



Level	Middle & lower level function	Top level function
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On the Basis of Usage: -

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

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



UNIT II

PLANNING

Planning (also called forethought) is the process of thinking about and organizing the activities required to achieve a desired goal. It involves the creation and maintenance of a plan, such as psychological aspects that require conceptual skills.

Meaning and Concept of Planning

In simple words, planning is deciding in advance what is to be done, when where, how and by whom it is to be done. Planning bridges the gap from where we are to where we want to go. It includes the selection of objectives, policies, procedures and programmes from among alternatives. A plan is a predetermined course of action to achieve a specified goal. It is an intellectual process characterized by thinking before doing. It is an attempt on the part of manager to anticipate the future in order to achieve better performance. Planning is the primary function of management.

Definitions of Planning

Different authors have given different definitions of planning from time to time. The main definitions of planning are as follows:

- According to Alford and Beatt, “Planning is the thinking process, the organized foresight, the vision based on fact and experience that is required for intelligent action.”
- According to Theo Haimann, “Planning is deciding in advance what is to be done. When a manager plans, he projects a course of action for further attempting to achieve a consistent co-ordinate structure of operations aimed at the desired results.
- According to Billy E. Goetz, “Planning is fundamentally choosing and a planning problem arises when an alternative course of action is discovered.”
- According to Koontz and O’ Donnell, “Planning is an intellectual process, conscious determination of course of action, the basing of decision on purpose, facts and considered estimates.”
- According to Allen, “A plan is a trap laid to capture the future.”

Nature / Characteristics of Planning

The main characteristics or nature of planning is given below:

Planning is an Intellectual Process

Planning is an intellectual process of thinking in advance. It is a process of deciding the future on the series of events to follow. Planning is a process where a number of steps are



to be taken to decide the future course of action. Managers or executives have to consider various courses of action, achieve the desired goals, go in details of the pros and cons of every course of action and then finally decide what course of action may suit them best.

Planning Contributes to the Objectives

Planning contributes positively in attaining the objectives of the business enterprise. Since plans are there from the very first stage of operation, the management is able to handle every problem successfully. Plan tries to set everything right. A purposeful, sound and effective planning process knows how and when to tackle a problem. This leads to success. Objectives thus are easily achieved.

Planning is a Primary Function of Management

Planning precedes other functions in the management process. Certainly, setting of goals to be achieved and lines of action to be followed precedes the organization, direction, supervision and control. No doubt, planning precedes other functions of management. It is primary requisite before other managerial functions step in. But all functions are interconnected. It is mixed in all managerial functions but there too it gets precedence. It thus gets primary everywhere.

A continuous Process

Planning is a continuous process and a never ending activity of a manager in an enterprise based upon some assumptions which may or may not come true in the future. Therefore, the manager has to go on modifying revising and adjusting plans in the light of changing circumstances. According to George R. Terry, "Planning is a continuous process and there is no end to it. It involves continuous collection, evaluation and selection of data, and scientific investigation and analysis of the possible alternative courses of action and the selection of the best alternative.

Planning Pervades Managerial Activities

From primary of planning follows pervasiveness of planning. It is the function of every managerial personnel. The character, nature and scope of planning may change from personnel to personnel but the planning as an action remains intact. According to Billy E. Goetz, "Plans cannot make an enterprise successful. Action is required, the enterprise must operate managerial planning seeks to achieve a consistent, coordinated structure of operations focused on desired trends. Without plans, action must become merely activity producing nothing but chaos."



Role, Significance, Importance & Advantages of Planning

An organisation without planning is like a sailboat minus its rudder. Without planning, organisation, are subject to the winds of organizational change. Planning is one of the most important and crucial functions of management. According to Koontz and O'Donnell, "Without planning business becomes random in nature and decisions become meaningless and adhoc choices." According to Geroge R. Terry, "Planning is the foundation of most successful actions of any enterprise." Planning becomes necessary due to the following reasons:

Reduction of Uncertainty

Future is always full of uncertainties. A business organisation has to function in these uncertainties. It can operate successfully if it is able to predict the uncertainties. Some of the uncertainties can be predicted by undertaking systematic. Some of the uncertainties can be predicted by undertaking systematic forecasting. Thus, planning helps in foreseeing uncertainties which may be caused by changes in technology, fashion and taste of people, government rules and regulations, etc.

Better Utilization of Resources

An important advantage of planning is that it makes effective and proper utilization of enterprise resources. It identifies all such available resources and makes optimum use of these resources.

Increases Organizational Effectiveness

Planning ensures organizational effectiveness. Effectiveness ensures that the organisation is in a position to achieve its objective due to increased efficiency of the organisation.

Reduces the Cost of Performance

Planning assists in reducing the cost of performance. It includes the selection of only one course of action amongst the different courses of action that would yield the best results at minimum cost. It removes hesitancy, avoids crises and chaos, eliminates false steps and protects against improper deviations.

Concentration on Objectives

It is a basic characteristic of planning that it is related to the organizational objectives. All the operations are planned to achieve the organizational objectives. Planning facilitates the achievement of objectives by focusing attention on them. It requires the clear definition of objectives so that most appropriate alternative courses of action are chosen.



Helps in Co-ordination

Good plans unify the interdepartmental activity and clearly lay down the area of freedom in the development of various sub-plans. Various departments work in accordance with the overall plans of the organisation. Thus, there is harmony in the organisation, and duplication of efforts and conflict of jurisdiction are avoided.

Makes Control Effective

Planning and control are inseparable in the sense that unplanned action cannot be controlled because control involves keeping activities on the predetermined course by rectifying deviations from plans. Planning helps control by furnishing standards of performance.

Encouragement to Innovation

Planning helps innovative and creative thinking among the managers because many new ideas come to the mind of a manager when he is planning. It creates a forward-looking attitude among the managers.

Increase in Competitive Strength

Effective planning gives a competitive edge to the enterprise over other enterprises that do not have planning or have ineffective planning. This is because planning may involve expansion of capacity, changes in work methods, changes in quality, anticipation of tastes and fashions of people and technological changes etc.

Delegation is Facilitated

A good plan always facilitates delegation of authority in a better way to subordinates.

Steps involved in Planning

Planning is a process which embraces a number of steps to be taken. Planning is an intellectual exercise and a conscious determination of courses of action. Therefore, it requires courses of action. The planning process is valid for one organisation and for one plan, may not be valid for other organizations or for all types of plans, because various factors that go into planning process may differ from organisation to organisation or from plan to plan. For example, planning process for a large organisation may not be the same for a small organisation. However, the major steps involved in the planning process of a major organisation or enterprise are as follows:

Establishing objectives

The first and primary step in planning process is the establishment of planning objectives or goals. Definite objectives, in fact, speak categorically about what is to be done, where to place the initial emphasis and the things to be accomplished by the network of



policies, procedures, budgets and programmes, the lack of which would invariably result in either faulty or ineffective planning.

It needs mentioning in this connection that objectives must be understandable and rational to make planning effective. Because the major objective, in all enterprise, needs to be translated into derivative objectives, accomplishment of enterprise objective needs a concrete endeavor of all the departments.

Establishment of Planning Premises

Planning premises are assumptions about the future understanding of the expected situations. These are the conditions under which planning activities are to be undertaken. These premises may be internal or external. Internal premises are internal variables that affect the planning. These include organizational policies, various resources and the ability of the organisation to withstand the environmental pressure. External premises include all factors in the task environment like political, social, technological, competitors' plans and actions, government policies, market conditions. Both internal factors should be considered in formulating plans. At the top level mainly external premises are considered. As one moves downward, internal premises gain importance.

Determining Alternative Courses

The next logical step in planning is to determine and evaluate alternative courses of action. It may be mentioned that there can hardly be any occasion when there are no alternatives. And it is most likely that alternatives properly assessed may prove worthy and meaningful. As a matter of fact, it is imperative that alternative courses of action must be developed before deciding upon the exact plan.

Evaluation of Alternatives

Having sought out the available alternatives along with their strong and weak points, planners are required to evaluate the alternatives giving due weight-age to various factors involved, for one alternative may appear to be most profitable involving heavy cash outlay whereas the other less profitable but involves least risk. Likewise, another course of action may be found contributing significantly to the company's long-range objectives although immediate expectations are likely to go unfulfilled.

Evidently, evaluation of alternative is a must to arrive at a decision. Otherwise, it would be difficult to choose the best course of action in the perspective of company needs and resources as well as objectives laid down.



Selecting a Course of Action

The fifth step in planning is selecting a course of action from among alternatives. In fact, it is the point of decision-making-deciding upon the plan to be adopted for accomplishing the enterprise objectives.

Formulating Derivative Plans

To make any planning process complete the final step is to formulate derivative plans to give effect to and support the basic plan. For example, if Indian Airlines decide to run Jumbo Jets between Delhi and Patna, obviously, a number of derivative plans have to be framed to support the decision, e.g., a staffing plan, operating plans for fuelling, maintenance, stores purchase, etc. In other words, plans do not accomplish themselves. They require to be broken down into supporting plans. Each manager and department of the organisation is to contribute to the accomplishment of the master plan on the basis of the derivative plans.

Establishing Sequence of Activities

Timing and sequence of activities are determined after formulating basic and derivative plans, so that plans may be put into action. Timing is an essential consideration in planning. It gives practical shape and concrete form to the programmes. The starting and finishing times are fixed for each piece of work, so as to indicate when and within what time that work is to be commenced and completed. Bad timing of programmes results in their failure. To maintain a symmetry of performance and a smooth flow of work, the sequence of operation should be arranged carefully by giving priorities to some work in preference to others. Under sequence it should be decided as to who will do what and at what time.

Feedback or Follow-up Action

Formulating plans and chalking out of programmes are not sufficient, unless follow-up action is provided to see that plans so prepared and programmes chalked out are being carried out in accordance with the plan and to see whether these are not kept in cold storage. It is also required to see whether the plan is working well in the present situation. If conditions have changed, the current plan has become outdated or inoperative it should be replaced by another plan. A regular follow-up is necessary and desirable for effective implementation and accomplishment of tasks assigned.

The plan should be communicated to all persons concerned in the organisation. Its objectives and course of action must be clearly defined leaving no ambiguity in the minds of those who are responsible for its execution. Planning is effective only when the persons involved work



in a team spirit and all are committed to the objectives, policies, programmes, strategies envisaged in the plan.

Advantages of Planning

1. Planning facilitates management by objectives.

- a) Planning begins with determination of objectives.
- b) It highlights the purposes for which various activities are to be undertaken.
- c) In fact, it makes objectives more clear and specific.
- d) Planning helps in focusing the attention of employees on the objectives or goals of enterprise.
- e) Without planning an organization has no guide.
- f) Planning compels manager to prepare a Blue-print of the courses of action to be followed for accomplishment of objectives.
- g) Therefore, planning brings order and rationality into the organization.

2. Planning minimizes uncertainties.

- a) Business is full of uncertainties.
- b) There are risks of various types due to uncertainties.
- c) Planning helps in reducing uncertainties of future as it involves anticipation of future events.
- d) Although future cannot be predicted with cent percent accuracy but planning helps management to anticipate future and prepare for risks by necessary provisions to meet unexpected turn of events.
- e) Therefore with the help of planning, uncertainties can be forecasted which helps in preparing standbys as a result, uncertainties are minimized to a great extent.

3. Planning facilitates co-ordination.

- a) Planning revolves around organizational goals.
- b) All activities are directed towards common goals.
- c) There is an integrated effort throughout the enterprise in various departments and groups.
- d) It avoids duplication of efforts. In other words, it leads to better co-ordination.
- e) It helps in finding out problems of work performance and aims at rectifying the same.

4. Planning improves employee's moral.

- a. Planning creates an atmosphere of order and discipline in organization.



- b. Employees know in advance what is expected of them and therefore conformity can be achieved easily.
- c. This encourages employees to show their best and also earn reward for the same.
- d. Planning creates a healthy attitude towards work environment which helps in boosting employees moral and efficiency.

5. Planning helps in achieving economies.

- a. Effective planning secures economy since it leads to orderly allocation of resources to various operations.
- b. It also facilitates optimum utilization of resources which brings economy in operations.
- c. It also avoids wastage of resources by selecting most appropriate use that will contribute to the objective of enterprise. For example, raw materials can be purchased in bulk and transportation cost can be minimized. At the same time it ensures regular supply for the production department, that is, overall efficiency.

6. Planning facilitates controlling.

- a. Planning facilitates existence of certain planned goals and standard of performance.
- b. It provides basis of controlling.
- c. We cannot think of an effective system of controlling without existence of well thought out plans.
- d. Planning provides pre-determined goals against which actual performance is compared.
- e. In fact, planning and controlling are the two sides of a same coin. If planning is root, controlling is the fruit.

7. Planning provides competitive edge.

- a. Planning provides competitive edge to the enterprise over the others which do not have effective planning. This is because of the fact that planning may involve changing in work methods, quality, quantity designs, extension of work, redefining of goals, etc.
- b. With the help of forecasting not only the enterprise secures its future but at the same time it is able to estimate the future motives of its competitor which helps in facing future challenges.
- c. Therefore, planning leads to best utilization of possible resources, improves quality of production and thus the competitive strength of the enterprise is improved.



8. Planning encourages innovations.

- a. In the process of planning, managers have the opportunities of suggesting ways and means of improving performance.
- b. Planning is basically a decision making function which involves creative thinking and imagination that ultimately leads to innovation of methods and operations for growth and prosperity of the enterprise.

Disadvantages of Planning

1. Internal Limitations

There are several limitations of planning. Some of them are inherit in the process of planning like rigidity and other arise due to shortcoming of the techniques of planning and in the planners themselves.

Rigidity

- a. Planning has tendency to make administration inflexible.
- b. Planning implies prior determination of policies, procedures and programmes and a strict adherence to them in all circumstances.
- c. There is no scope for individual freedom.
- d. The development of employees is highly doubted because of which management might have faced lot of difficulties in future.
- e. Planning therefore introduces inelasticity and discourages individual initiative and experimentation.

Misdirected Planning

- a) Planning may be used to serve individual interests rather than the interest of the enterprise.
- a) Attempts can be made to influence setting of objectives, formulation of plans and programmes to suit ones own requirement rather than that of whole organization.
- b) Machinery of planning can never be freed of bias. Every planner has his own likes, dislikes, preferences, attitudes and interests which is reflected in planning.

Time consuming

- a) Planning is a time consuming process because it involves collection of information, it's analysis and interpretation thereof. This entire process takes a lot of time specially where there are a number of alternatives available.
- b) Therefore planning is not suitable during emergency or crisis when quick decisions are required.



Probability in planning

- a) Planning is based on forecasts which are mere estimates about future.
- b) These estimates may prove to be inexact due to the uncertainty of future.
- c) Any change in the anticipated situation may render plans ineffective.
- d) Plans do not always reflect real situations inspite of the sophisticated techniques of forecasting because future is unpredictable.
- e) Thus, excessive reliance on plans may prove to be fatal.

False sense of security

- a) Elaborate planning may create a false sense of security to the effect that everything is taken for granted.
- b) Managers assume that as long as they work as per plans, it is satisfactory.
- c) Therefore they fail to take up timely actions and an opportunity is lost.
- d) Employees are more concerned about fulfillment of plan performance rather than any kind of change.

Expensive

- a) Collection, analysis and evaluation of different information, facts and alternatives involves a lot of expense in terms of time, effort and money
- b) According to Koontz and O'Donell, ' Expenses on planning should never exceed the estimated benefits from planning. '

2. External Limitations of Planning

- a) Political Climate- Change of government from Congress to some other political party, etc.
- b) Labour Union- Strikes, lockouts, agitations.
- c) Technological changes- Modern techniques and equipments, computerization.
- d) Policies of competitors- Eg. Policies of Coca Cola and Pepsi.
- e) Natural Calamities- Earthquakes and floods.
- f) Changes in demand and prices- Change in fashion, change in tastes, change in income level, demand falls, price falls, etc.

Managerial Decision Making

The act of **making** up your mind about something, or a position or opinion or judgment reached after consideration. The process of selecting from several choices, products or ideas, and taking action.



A **decision** can be defined as a course of action purposely chosen from a set of alternatives to achieve organizational or managerial objectives or goals. **Decision making** process is continuous and indispensable component of managing any organization or business activities.

Managerial Decision Making Process (5 Steps)

Decision making is crucial for running a business enterprise which faces a large number of problems requiring decisions.

Which product to be produced, what price to be charged, what quantity of the product to be produced, what and how much advertisement expenditure to be made to promote the sales, how much investment expenditure to be incurred are some of the problems which require decisions to be made by managers.

The five steps involved in managerial decision making process are explained below:

1. Establishing the Objective:

The first step in the decision making process is to establish the objective of the business enterprise. The important objective of a private business enterprise is to maximise profits. However, a business firm may have some other objectives such as maximisation of sales or growth of the firm.

But the objective of a public enterprise is normally not of maximisation of profits but to follow benefit-cost criterion. According to this criterion, a public enterprise should evaluate all social costs and benefits when making a decision whether to build an airport, a power plant, a steel plant, etc.

2. Defining the Problem:

The second step in decision making process is one of defining or identifying the problem. Defining the nature of the problem is important because decision making is after all meant for solution of the problem. For instance, a cotton textile firm may find that its profits are declining.

It needs to be investigated what are the causes of the problem of decreasing profits. Whether it is the wrong pricing policy, bad labour-management relations or the use of outdated technology which is causing the problem of declining profits. Once the source or reason for falling profits has been found, the problem has been identified and defined.



3. Identifying Possible Alternative Solutions (i.e. Alternative Courses of Action):

Once the problem has been identified, the next step is to find out alternative solutions to the problem. This will require considering the variables that have an impact on the problem. In this way, relationship among the variables and with the problems has to be established.

In regard to this, various hypotheses can be developed which will become alternative courses for the solution of the problem. For example, in case of the problem mentioned above, if it is identified that the problem of declining profits is due to be use of technologically inefficient and outdated machinery in production.

4. Evaluating Alternative Courses of Action:

The next step in business decision making is to evaluate the alternative courses of action. This requires, the collection and analysis of the relevant data. Some data will be available within the various departments of the firm itself, the other may be obtained from the industry and government.

The data and information so obtained can be used to evaluate the outcome or results expected from each possible course of action. Methods such as regression analysis, differential calculus, linear programming, cost- benefit analysis are used to arrive at the optimal course. The optimum solution will be one that helps to achieve the established objective of the firm. The course of action which is optimum will be actually chosen. It may be further noted that for the choice of an optimal solution to the problem, a manager works under certain constraints.

The constraints may be legal such as laws regarding pollution and disposal of harmful wastes; they way be financial (i.e. limited financial resources); they may relate to the availability of physical infrastructure and raw materials, and they may be technological in nature which set limits to the possible output to be produced per unit of time. The crucial role of a business manager is to determine optimal course of action and he has to make a decision under these constraints.

5. Implementing the Decision:

After the alternative courses of action have been evaluated and optimal course of action selected, the final step is to implement the decision. The implementation of the decision requires constant monitoring so that expected results from the optimal course of action are obtained. Thus, if it is found that expected results are not forthcoming due to the wrong implementation of the decision, then corrective measures should be taken.



However, it should be noted that once a course of action is implemented to achieve the established objective, changes in it may become necessary from time to time in response in changes in conditions or firm's operating environment on the basis of which decisions were taken.

The five steps in the decision making process are shown in the following figure.



Process and steps involved in decision making:

Seven most essential steps involved in decision making process are: 1. Define the problem, 2. Analysing the problem, 3. Developing alternative solutions, 4. Selecting the best type of alternative, 5. Implementation of the decision, 6. Follow up, 7. Monitoring and feedback!

Decision-making is concerned with the selection of one alternative course of action from two or more alternative courses of action. Precisely it can be stated as a choice-making activity.

These steps can be explained as under:

1. Define the problem:

The first and the foremost step in the decision-making process are to define the real problem. A problem can be explained as a question for and appropriate solution. The manager should consider critical or strategic factors in defining the problem. These factors are, in fact, obstacles in the way of finding proper solution. These are also known as limiting factors.

For example, if a machine stops working due to non-availability of screw, screw is the limiting factor in this case. Similarly fuse is a limiting or critical factor in house lighting.



While selecting alternative or probable solution to the problem, the more the decision-making takes into account those factors that are limiting or critical to the alternative solutions, the easier it becomes to take the best decision.

Other examples of critical or limiting factor may be materials, money, managerial skill, technical know-how, employee morale and customer demand, political situation and government regulations, etc.

2. Analysing the problem:

After defining the problem, the next important step is a systematic analysis of the available data. Sound decisions are based on proper collection, classification and analysis of facts and figures.

There are three principles relating to the analysis and classification as explained below:

- (i) The futurity of the decision. This means to what length of time, the decision will be applicable to a course of action.
- (ii) The impact of decision on other functions and areas of the business.
- (iii) The qualitative considerations which come into the picture.

Developing alternative solutions:

After defining and analysing the problem, the next step is to develop alternative solutions. The main aim of developing alternative solutions is to have the best possible decision out of the available alternative courses of action. In developing alternative solutions the manager comes across creative or original solutions to the problems.

In modern times, the techniques of operations research and computer applications are immensely helpful in the development of alternative courses of action.

4. Selecting the best type of alternative:

After developing various alternatives, the manager has to select the best alternative. It is not an easy task.

The following are the four important points to be kept in mind in selecting the best from various alternatives:

- (a) Risk element involved in each course of action against the expected gain.
- (b) Economy of effort involved in each alternative, i.e. securing desired results with the least efforts.
- (c) Proper timing of the decision and action.
- (d) Final selection of decision is also affected by the limited resources available at our disposal. Human resources are always limited. We must have right type of people to carry out



our decisions. Their calibre, understanding, intelligence and skill will finally determine what they can and cannot do.

5. Implementation of the decision:

Under this step, a manager has to put the selected decision into action.

For proper and effective execution of the decision, three things are very important i.e.,

(a) Proper and effective communication of decisions to the subordinates. Decisions should be communicated in clear, concise and understandable manner.

(b) Acceptance of decision by the subordinates is important. Group participation and involvement of the employees will facilitate the smooth execution of decisions.

(c) Correct timing in the execution of decision minimizes the resistance to change. Almost every decision introduces a change and people are hesitant to accept a change. Implementation of the decision at the proper time plays an important role in the execution of the decision.

6. Follow up:

A follow up system ensures the achievement of the objectives. It is exercised through control. Simply stated it is concerned with the process of checking the proper implementation of decision. Follow up is indispensable so as to modify and improve upon the decisions at the earliest opportunity.

7. Monitoring and feedback:

Feedback provides the means of determining the effectiveness of the implemented decision. If possible, a mechanism should be built which would give periodic reports on the success of the implementation. In addition, the mechanisms should also serve as an instrument of “preventive maintenance”, so that the problems can be prevented before they occur.

According to Peter Drucker, the monitoring system should be such that the manager can go and look for himself for first hand information which is always better than the written reports or other second-hand sources. In many situations, however, computers are very successfully used in monitoring since the information retrieval process is very quick and accurate and in some instances the self-correcting is instantaneous.



UNIT III

ORGANIZATION & LEADERSHIP

A social unit of people that is structured and managed to meet a need or to pursue collective goals. All organizations have a management structure that determines relationships between the different activities and the members, and subdivides and assigns roles, responsibilities, and authority to carry out different tasks. Organizations are open systems--they affect and are affected by their environment.

Principles of Management

In the last century, organizations already had to deal with management in practice. In the early 1900s, large organizations, such as production factories, had to be managed too. At the time there were only few (external) management tools, models and methods available. Thanks to scientists like Henri Fayol (1841-1925) the first foundations were laid for modern scientific management. These first concepts, also called principles of management are the underlying factors for successful management. Henri Fayol explored this comprehensively and, as a result, he synthesized the 14 principles of management. Henri Fayol 's principles of management and research were published in the book 'General and Industrial Management' (1916).

14 principles of Management are statements that are based on a fundamental truth. These principles of management serve as a guideline for decision-making and management actions. They are drawn up by means of observations and analyses of events that managers encounter in practice. Henri Fayol was able to synthesize 14 principles of management after years of study, namely:

1. Division of Work

In practice, employees are specialized in different areas and they have different skills. Different levels of expertise can be distinguished within the knowledge areas (from generalist to specialist). Personal and professional developments support this. According to Henri Fayol specialization promotes efficiency of the workforce and increases productivity. In addition, the specialization of the workforce increases their accuracy and speed. This management principle of the 14 principles of management is applicable to both technical and managerial activities.



2. Authority and Responsibility

In order to get things done in an organization, management has the authority to give orders to the employees. Of course with this authority comes responsibility. According to Henri Fayol, the accompanying power or authority gives the management the right to give orders to the subordinates. The responsibility can be traced back from performance and it is therefore necessary to make agreements about this. In other words, authority and responsibility go together and they are two sides of the same coin.

3. Discipline

This third principle of the 14 principles of management is about obedience. It is often a part of the core values of a mission and vision in the form of good conduct and respectful interactions. This management principle is essential and is seen as the oil to make the engine of an organization run smoothly.

4. Unity of Command

The management principle 'Unity of command' means that an individual employee should receive orders from one manager and that the employee is answerable to that manager. If tasks and related responsibilities are given to the employee by more than one manager, this may lead to confusion which may lead to possible conflicts for employees. By using this principle, the responsibility for mistakes can be established more easily.

5. Unity of Direction

This management principle of the 14 principles of management is all about focus and unity. All employees deliver the same activities that can be linked to the same objectives. All activities must be carried out by one group that forms a team. These activities must be described in a plan of action. The manager is ultimately responsible for this plan and he monitors the progress of the defined and planned activities. Focus areas are the efforts made by the employees and coordination.

6. Subordination of Individual Interest

There are always all kinds of interests in an organization. In order to have an organization function well, Henri Fayol indicated that personal interests are subordinate to the interests of the organization (ethics). The primary focus is on the organizational objectives and not on those of the individual. This applies to all levels of the entire organization, including the managers.



7. Remuneration

Motivation and productivity are close to one another as far as the smooth running of an organization is concerned. This management principle of the 14 principles of management argues that the remuneration should be sufficient to keep employees motivated and productive. There are two types of remuneration namely non-monetary (a compliment, more responsibilities, credits) and monetary (compensation, bonus or other financial compensation). Ultimately, it is about rewarding the efforts that have been made.

8. The Degree of Centralization

Management and authority for decision-making process must be properly balanced in an organization. This depends on the volume and size of an organization including its hierarchy. Centralization implies the concentration of decision making authority at the top management (executive board). Sharing of authorities for the decision-making process with lower levels (middle and lower management), is referred to as decentralization by Henri Fayol. Henri Fayol indicated that an organization should strive for a good balance in this.

9. Scalar Chain

Hierarchy presents itself in any given organization. This varies from senior management (executive board) to the lowest levels in the organization. Henri Fayol 's "hierarchy" management principle states that there should be a clear line in the area of authority (from top to bottom and all managers at all levels). This can be seen as a type of management structure. Each employee can contact a manager or a superior in an emergency situation without challenging the hierarchy. Especially, when it concerns reports about calamities to the immediate managers/superiors.

10. Order

According to this principle of the 14 principles of management, employees in an organization must have the right resources at their disposal so that they can function properly in an organization. In addition to social order (responsibility of the managers) the work environment must be safe, clean and tidy.

11. Equity

The management principle of equity often occurs in the core values of an organization. According to Henri Fayol, employees must be treated kindly and equally. Employees must be in the right place in the organization to do things right. Managers should supervise and monitor this process and they should treat employees fairly and impartially.



12. Stability of Tenure of Personnel

This management principle of the 14 principles of management represents deployment and managing of personnel and this should be in balance with the service that is provided from the organization. Management strives to minimize employee turnover and to have the right staff in the right place. Focus areas such as frequent change of position and sufficient development must be managed well.

13. Initiative

Henri Fayol argued that with this management principle employees should be allowed to express new ideas. This encourages interest and involvement and creates added value for the company. Employee initiatives are a source of strength for the organization according to Henri Fayol. This encourages the employees to be involved and interested.

14. Esprit de Corps

The management principle 'esprit de corps' of the 14 principles of management stands for striving for the involvement and unity of the employees. Managers are responsible for the development of morale in the workplace; individually and in the area of communication. Esprit de corps contributes to the development of the culture and creates an atmosphere of mutual trust and understanding.

Forms of Business Organization

1. Sole Proprietorship

A sole proprietorship is a business owned by only one person. It is easy to set-up and is the least costly among all forms of ownership. The owner faces unlimited liability; meaning, the creditors of the business may go after the personal assets of the owner if the business cannot pay them. The sole proprietorship form is usually adopted by small business entities.

2. Partnership

A partnership is a business owned by two or more persons who contribute resources into the entity. The partners divide the profits of the business among themselves. In general partnerships, all partners have unlimited liability. In limited partnerships, creditors cannot go after the personal assets of the limited partners.

3. Corporation

A corporation is a business organization that has a separate legal personality from its owners. Ownership in a stock corporation is represented by shares of stock. The owners (stockholders) enjoy limited liability but have limited involvement in the company's



operations. The board of directors, an elected group from the stockholders, controls the activities of the corporation. In addition to those basic forms of business ownership, these are some other types of organizations that are common today:

4. Limited Liability Company

Limited liability companies (LLCs) in the USA, are hybrid forms of business that have characteristics of both a corporation and a partnership. An LLC is not incorporated; hence, it is not considered a corporation. Nonetheless, the owners enjoy limited liability like in a corporation. An LLC may elect to be taxed as a sole proprietorship, a partnership, or a corporation.

5. Cooperative

A cooperative is a business organization owned by a group of individuals and is operated for their mutual benefit. The persons making up the group are called members. Cooperatives may be incorporated or unincorporated. Some examples of cooperatives are: water and electricity (utility) cooperatives, cooperative banking, credit unions, and housing cooperatives.

Types of Business Organization

It is important that the business owner seriously considers the different forms of business organization—types such as sole proprietorship, partnership, and corporation. Which organizational form is most appropriate can be influenced by tax issues, legal issues, financial concerns, and personal concerns. For the purpose of this overview, basic information is presented to establish a general impression of business organization.

Sole Proprietorship

A Sole Proprietorship consists of one individual doing business. Sole Proprietorships are the most numerous form of business organization in the United States, however they account for little in the way of aggregate business receipts.

Advantages

- Ease of formation and dissolution. Establishing a sole proprietorship can be as simple as printing up business cards or hanging a sign announcing the business. Taking work as a contract carpenter or freelance photographer, for example, can establish a sole proprietorship. Likewise, a sole proprietorship is equally easy to dissolve.
- Typically, there are low start-up costs and low operational overhead.
- Ownership of all profits.
- Sole Proprietorships are typically subject to fewer regulations.



- No corporate income taxes. Any income realized by a sole proprietorship is declared on the owner's individual income tax return.

Disadvantages

- Unlimited liability. Owners who organize their business as a sole proprietorship are personally responsible for the obligations of the business, including actions of any employee representing the business.
- Limited life. In most cases, if a business owner dies, the business dies as well.
- It may be difficult for an individual to raise capital. It's common for funding to be in the form of personal savings or personal loans.
- The most daunting disadvantage of organizing as a sole proprietorship is the aspect of unlimited liability. An advantage of a sole proprietorship is filing taxes as an individual rather than paying corporate tax rates. Some hybrid forms of business organization may be employed to take advantage of limited liability and lower tax rates for those businesses that meet the requirements. These include S Corporations, and Limited Liability Companies (LLC's). Where S-Corps are a Federal Entity, LLC's are regulated by the various states. LLC's give the option for profits from the business to pass through to the owner's individual income tax return.

Partnership

A Partnership consists of two or more individuals in business together. Partnerships may be as small as mom and pop type operations, or as large as some of the big legal or accounting firms that may have dozens of partners. There are different types of partnerships—general partnership, limited partnership, and limited liability partnership—the basic differences stemming around the degree of personal liability and management control.

Advantages

- Synergy. There is clear potential for the enhancement of value resulting from two or more individuals combining strengths.
- Partnerships are relatively easy to form, however, considerable thought should be put into developing a partnership agreement at the point of formation.
- Partnerships may be subject to fewer regulations than corporations.
- There is stronger potential of access to greater amounts of capital.
- No corporate income taxes. Partnerships declare income by filing a partnership income tax return. Yet the partnership pays no taxes when this partnership tax return is filed. Rather, the individual partners declare their pro-rata share of the net income



of the partnership on their individual income tax returns and pay taxes at the individual income tax rate.

Disadvantages

- Unlimited liability. General partners are individually responsible for the obligations of the business, creating personal risk.
- Limited life. A partnership may end upon the withdrawal or death of a partner.
- There is a real possibility of disputes or conflicts between partners which could lead to dissolving the partnership. This scenario enforces the need of a partnership agreement.
- As pointed out, unlimited liability exists for partnerships just as for sole proprietorships. One way to alleviate this risk is through Limited Liability Partnerships (LLP's). As with LLC's, LLP's may offer some tax advantages while providing some risk protection for owners.

Corporation

Corporations are probably the dominant form of business organization in the United States. Although fewer in number, corporations account for the lion's share of aggregate business receipts in the U.S. economy. A corporation is a legal entity doing business, and is distinct from the individuals within the entity. Public corporations are owned by shareholders who elect a board of directors to oversee primary responsibilities. Along with standard, for-profit corporations, there are charitable, not-for-profit corporations.

Advantages

- Unlimited commercial life. The corporation is an entity of its own and does not dissolve when ownership changes.
- Greater flexibility in raising capital through the sale of stock.
- Ease of transferring ownership by selling stock.
- Limited liability. This limited liability is probably the biggest advantage to organizing as a corporation. Individual owners in corporations have limits on their personal liability. Even if a corporation is sued for billions of dollars, individual shareholder's liability is generally limited to the value of their own stock in the corporation.

Disadvantages

- Regulatory restrictions. Corporations are typically more closely monitored by governmental agencies, including federal, state, and local. Complying with regulations can be costly.



- Higher organizational and operational costs. Corporations have to file articles of incorporation with the appropriate state authorities. These legal and clerical expenses, along with other recurring operational expenses, can contribute to budgetary challenges.
- Double taxation. The possibility of double taxation arises when companies declare and pay taxes on the net income of the corporation, which they pay through their corporate income tax returns. If the corporation also pays out dividends to individual shareholders, those shareholders must declare that dividend income as personal income and pay taxes at the individual income tax rates. Thus, the possibility of double taxation.

Different Forms of organization

When there is one man, there is hardly any need for any organisation. When the enterprise expands, some pattern of organisation should be adopted. Generally, the following are the types of organisation.

1. Line Organization

This is the simplest and oldest form of organisation. It is also referred as the 'Military' or 'Traditional' or 'Scalar' or 'Hierarchical' form of organisation. An important feature of such types of organisation is the superior- sub-ordinate relationship. In this type of organisation authority descends from the top to its bottom level through downward delegation of authority.

Sub-ordinates become responsible to their immediate superiors. All decisions and orders are made by the top executives and handed down to sub-ordinates. This type of organisation is as that of military administration. The topmost management has full control over the entire enterprise. This form is suitable:

- (a) If the business is comparatively small.
- (b) If the labour management problems are easy to solve.
- (c) If the processes are easily directed.
- (d) If the work is of a routine nature.

Merits of Line Organization

1. It is simple to work.
2. It is economical and effective.
3. It is easy to fix responsibility.
4. It facilitates quick decisions and prompt actions.



5. Quick communication is easy.
6. Discipline can easily be maintained.

Demerits of Line Organization

1. The organization is rigid and inflexible.
2. It works on a dictatorial basis.
3. Departmental heads act in their own whims and desires; as such it is difficult to secure co-ordination of the activities of workers and department.
4. In big business it does not operate satisfactorily.

2. Functional Organization

The limitations of line organisation have been removed under this system. All types of work of the organisation are grouped and managed by the top executive.

There are separate functional departments for major functions of the enterprise, for example personnel department, sales department, purchase department, finance department, etc. Each department does its function for the entire organisation. Sales department does its function for the whole organisation.

Purchase department does its function for the whole enterprise. The functional organisation works through the line organisation. Functional organisation is based on expert knowledge and makes the greatest use of division of labour resulting in high efficiency and specialisation.

Features (Functional Organization)

1. The whole task of the enterprise is divided into specialized functions.
2. Each function is performed by a specialist.
3. The specialist in charge of a functional department has the authority over all other employees for his function.
4. Specialists operate with considerable independence.

Merits of Functional Organization

1. Greatest use of division of labour is possible.
2. The system is based on expert knowledge.
3. Functional efficiency of the worker can be maintained.
4. Mass production is made by standardization and specialization.
5. Separation of mental and manual functions is possible.
6. Methods and operations can be standardized.



Demerits of Functional Organization

1. Too many experts and bosses (high officials) create confusions in the minds of the worker.
2. It is difficult to fix responsibility on workers.
3. Discipline and morale of the workers are seriously affected, because of contradictory orders from different experts.
4. There are heavy overhead expenses.

3. Line and Staff Organization

In this type, the organisation is based on the line organization and the functional experts advice the line officers as to the functions of the enterprise. The line officers are the executives and the staff officers are their advisors. Though the staff officers do not have the power to command the line officers, their advice is generally adhered to.

The combination of line organisation with this expert staff forms the type of organisation-line and staff. The line keeps the discipline and the staff provides expert information. The line gets out the production and the staff carries on research, planning, fixing standard etc. This type of organisation is suitable for large concerns.

The line officers give orders, decisions etc., to sub-ordinates in consultations or guidance with the staff officers. The underlying idea of this method is that specialised work is to be left to experts, who will give advice on specialised grounds- investigation, research, etc. The staff officers have no executive positions in the concern and are the thinkers, while the line officers are the doers.

Merits of Line and Staff Organization

1. This type is based on specialization.
2. It brings expert knowledge upon the whole concern.
3. Increased efficiency of operations may be possible.
4. Mass production is possible.

Demerits of Line and Staff Organization

1. There arises confusion unless the duties and responsibilities are clearly. Indicated by charts and office manuals.
2. Advice and expert information are given to the workers through the line officers. It is possible that the workers may misunderstand or misinterpret.



4. Committee Organization

Committee organization is widely used for the purpose of discharging advisory functions of the management. Committees are found in different levels of organization. A committee is a group of people who meet by plan to discuss or make a decision on a particular subject.

Because of its advantages, committee organization is preferred. Committee means a body of persons, for example, Management committee consisting of General Manager and Departmental heads.

Committees have become an important instrument of management in modern organisations; they may be used for the following objectives:

1. To secure view-point and consultation of various persons in the organisations.
2. To give participation and representation to different groups or interests;
3. To co-ordinate the activities of different departments;
4. To review the performance of certain units;
5. To facilitate communication and co-operation among diverse groups.

Merits of committee organisation

1. It facilitates co-ordination of activity of various departments.
2. Pooled knowledge and judgment become available to the business thus its efficiency increases.
3. It is a good media of training and educating employees.
4. It helps to improve the motivation and morale of employees.
5. It promotes mutual understanding, teamwork and co-operation among employees.

Demerits of Committee Organisation

1. It is not only costly in terms of time it consumes, but also in terms of money involved.
2. Difficulty in reaching agreement results in indecision.
3. Compromise at the cost of efficiency is often affected.
4. Indecision may lead to a breakdown of group action.
5. Committee management is slower in reaching decisions than a one-man rule.

Leadership Style

Different Types of Leadership Styles

According to Research by asaecenter, leadership style is the way a person uses power to lead other people. Research has identified a variety of leadership styles based on the



number of followers. The most appropriate leadership style depends on the function of the leader, the followers and the situation.

Some leaders cannot work comfortably with a high degree of followers' participation in decision making. Some employers lack the ability or the desire to assume responsibility. Furthermore, the specific situation helps determine the most effective style of interactions. Sometimes leaders must handle problems that require immediate solutions without consulting followers.

What are Different Leadership Styles?

We have covered 12 different types of ways people tend to lead organizations or other people. Not all of these styles would deem fit for all kind of situations, you can read them through to see which one fits right to your company or situation.

1. Autocratic Leadership

Autocratic leadership style is centered on the boss. In this leadership the leader holds all authority and responsibility. In this leadership, leaders make decisions on their own without consulting subordinates. They reach decisions, communicate them to subordinates and expect prompt implementation. Autocratic work environment does normally have little or no flexibility.

In this kind of leadership, guidelines, procedures and policies are all natural additions of an autocratic leader. Statistically, there are very few situations that can actually support autocratic leadership.

Some of the leaders that support this kind of leadership include: Albert J Dunlap (Sunbeam Corporation) and Donald Trump (Trump Organization) among others.

2. Democratic Leadership

In this leadership style, subordinates are involved in making decisions. Unlike autocratic, this leadership is centered on subordinates' contributions. The democratic leader holds final responsibility, but he or she is known to delegate authority to other people, who determine work projects.

The most unique feature of this leadership is that communication is active upward and downward. With respect to statistics, democratic leadership is one of the most preferred leadership, and it entails the following: fairness, competence, creativity, courage, intelligence and honesty.



3. Strategic Leadership Style

Strategic leadership is one that involves a leader who is essentially the head of an organization. The strategic leader is not limited to those at the top of the organization. It is geared to a wider audience at all levels who want to create a high performance life, team or organization.

The strategic leader fills the gap between the need for new possibility and the need for practicality by providing a prescriptive set of habits. An effective strategic leadership delivers the goods in terms of what an organization naturally expects from its leadership in times of change. 55% of this leadership normally involves strategic thinking.

4. Transformational Leadership

Unlike other leadership styles, transformational leadership is all about initiating change in organizations, groups, oneself and others.

Transformational leaders motivate others to do more than they originally intended and often even more than they thought possible. They set more challenging expectations and typically achieve higher performance.

Statistically, transformational leadership tends to have more committed and satisfied followers. This is mainly so because transformational leaders empower followers.

5. Team Leadership

Team leadership involves the creation of a vivid picture of its future, where it is heading and what it will stand for. The vision inspires and provides a strong sense of purpose and direction.

Team leadership is about working with the hearts and minds of all those involved. It also recognizes that teamwork may not always involve trusting cooperative relationships. The most challenging aspect of this leadership is whether or not it will succeed. According to Harvard Business Review, team leadership may fail because of poor leadership qualities.

6. Cross-Cultural Leadership

This form of leadership normally exists where there are various cultures in the society. This leadership has also industrialized as a way to recognize front runners who work in the contemporary globalized market.

Organizations, particularly international ones require leaders who can effectively adjust their leadership to work in different environs. Most of the leaderships observed in the United States are cross-cultural because of the different cultures that live and work there.



7. Facilitative Leadership

Facilitative leadership is too dependent on measurements and outcomes – not a skill, although it takes much skill to master. The effectiveness of a group is directly related to the efficacy of its process. If the group is high functioning, the facilitative leader uses a light hand on the process.

On the other hand, if the group is low functioning, the facilitative leader will be more directives in helping the group run its process. An effective facilitative leadership involves monitoring of group dynamics, offering process suggestions and interventions to help the group stay on track.

8. Laissez-faire Leadership

Laissez-faire leadership gives authority to employees. According to azcentral, departments or subordinates are allowed to work as they choose with minimal or no interference. According to research, this kind of leadership has been consistently found to be the least satisfying and least effective management style.

9. Transactional Leadership

This is a leadership that maintains or continues the status quo. It is also the leadership that involves an exchange process, whereby followers get immediate, tangible rewards for carrying out the leader's orders. Transactional leadership can sound rather basic, with its focus on exchange.

Being clear, focusing on expectations, giving feedback are all important leadership skills. According to Boundless.com, transactional leadership behaviors can include: clarifying what is expected of followers' performance; explaining how to meet such expectations; and allocating rewards that are contingent on meeting objectives.

10. Coaching Leadership

Coaching leadership involves teaching and supervising followers. A coaching leader is highly operational in setting where results/ performance require improvement. Basically, in this kind of leadership, followers are helped to improve their skills. Coaching leadership does the following: motivates followers, inspires followers and encourages followers.

11. Charismatic Leadership

In this leadership, the charismatic leader manifests his or her revolutionary power. Charisma does not mean sheer behavioral change. It actually involves a transformation of followers' values and beliefs.



Therefore, this distinguishes a charismatic leader from a simply populist leader who may affect attitudes towards specific objects, but who is not prepared as the charismatic leader is, to transform the underlying normative orientation that structures specific attitudes.

12. Visionary Leadership

This form of leadership involves leaders who recognize that the methods, steps and processes of leadership are all obtained with and through people. Most great and successful leaders have the aspects of vision in them.

However, those who are highly visionary are the ones considered to be exhibiting visionary leadership. Outstanding leaders will always transform their visions into realities.

Types of Leadership Styles

Different types of leadership styles exist in work environments. Advantages and disadvantages exist within each leadership style. The culture and goals of an organization determine which leadership style fits the firm best. Some companies offer several leadership styles within the organization, dependent upon the necessary tasks to complete and departmental needs.

➤ **Laissez-Faire**

A laissez-faire leader lacks direct supervision of employees and fails to provide regular feedback to those under his supervision. Highly experienced and trained employees requiring little supervision fall under the laissez-faire leadership style. However, not all employees possess those characteristics. This leadership style hinders the production of employees needing supervision. The laissez-faire style produces no leadership or supervision efforts from managers, which can lead to poor production, lack of control and increasing costs.

➤ **Autocratic**

The autocratic leadership style allows managers to make decisions alone without the input of others. Managers possess total authority and impose their will on employees. No one challenges the decisions of autocratic leaders. Countries such as Cuba and North Korea operate under the autocratic leadership style. This leadership style benefits employees who require close supervision. Creative employees who thrive in group functions detest this leadership style.

➤ **Participative**

Often called the democratic leadership style, participative leadership values the input of team members and peers, but the responsibility of making the final decision rests with the



participative leader. Participative leadership boosts employee morale because employees make contributions to the decision-making process. It causes them to feel as if their opinions matter. When a company needs to make changes within the organization, the participative leadership style helps employees accept changes easily because they play a role in the process. This style meets challenges when companies need to make a decision in a short period.

➤ **Transactional**

Managers using the transactional leadership style receive certain tasks to perform and provide rewards or punishments to team members based on performance results. Managers and team members set predetermined goals together, and employees agree to follow the direction and leadership of the manager to accomplish those goals. The manager possesses power to review results and train or correct employees when team members fail to meet goals. Employees receive rewards, such as bonuses, when they accomplish goals.

➤ **Transformational**

The transformational leadership style depends on high levels of communication from management to meet goals. Leaders motivate employees and enhance productivity and efficiency through communication and high visibility. This style of leadership requires the involvement of management to meet goals. Leaders focus on the big picture within an organization and delegate smaller tasks to the team to accomplish goals.



UNIT IV

MOTIVATION

Motivation

Internal and external factors that stimulate desire and energy in people to be continually interested and committed to a job, role or subject, or to make an effort to attain a goal.

Motivation results from the interaction of both conscious and unconscious factors such as the (1) intensity of desire or need, (2) incentive or reward value of the goal, and (3) expectations of the individual and of his or her peers. These factors are the reasons one has for behaving a certain way. An example is a student that spends extra time studying for a test because he or she wants a better grade in the class.

Importance of Motivation in Business

Importance of motivation in a business are as follows:

Rensis Likert, while pointing out the importance of motivation, has called it the 'core of management'. Similarly, Allen while stressing the need and importance of motivation has observed that 'poorly motivated people can nullify the soundest organisation.' The importance of motivation is brought out by the following facts:

(1) Improves Performance Level:

The ability to do work and willingness to do work both affect the efficiency of a person. The ability to do work is obtained with the help of education and training and willingness to do work is obtained with the help of motivation.

Willingness is more important in comparison to ability. For example, a person is highly educated and he is recruited on this very basis. But it is not essential that he will do outstanding work.

(2) Helps to Change Negative or Indifferent Attitudes of Employees:

Some employees of an organisation have a negative attitude. They always think that doing more work will not bring any credit. A manager uses various techniques to change this attitude.

For example, if the financial situation of such an employee is weak, he gives him a raise in his remuneration and if his financial condition is satisfactory he motivates him by praising his work.



(3) Reduction in Employee Turnover:

The reputation of an organisation is affected by the employee turnover. This creates a lot of problems for the managers. A lot of time and money go waste in repeatedly recruiting employees and giving them education and training. Only motivation can save an organisation from such wastage. Motivated people work for a longer time in the organisation and there is a decline in the rate of turnover.

(4) Helps to Reduce Absenteeism in the Organisation:

In some of the organisations, the rate of absenteeism is high. There are many causes for this-poor work conditions, poor relations with colleagues and superiors, no recognition in the organisation, insufficient reward, etc. A manager removes all such deficiencies and motivates the employees. Motivated employees do not remain absent from work as the workplace becomes a source of joy for them.

(5) Reduction in Resistance to Change:

New changes continue taking place in the organisation. Normally workers are not prepared to accept any changes in their normal routine. Whereas it becomes essential to bring in some changes because of the demands of time.

Employees can be made to accept such changes easily with the help of motivation. Motivated people accept these changes enthusiastically and improve their work performance.

Maslow's Hierarchy of needs

Abraham Maslow developed the Hierarchy of Needs model in 1940-50s USA, and the Hierarchy of Needs theory remains valid today for understanding human motivation, management training, and personal development. Indeed, Maslow's ideas surrounding the Hierarchy of Needs, concerning the responsibility of employers to provide a workplace environment that encourages and enables employees to fulfil their own unique potential (self-actualization), are today more relevant than ever. Abraham Maslow's book *Motivation and Personality*, published in 1954 (second edition 1970) introduced the Hierarchy of Needs, and Maslow extended his ideas in other work, notably his later book *Toward A Psychology Of Being*, a significant and relevant commentary, which has been revised in recent times by Richard Lowry, who is in his own right a leading academic in the field of motivational psychology.

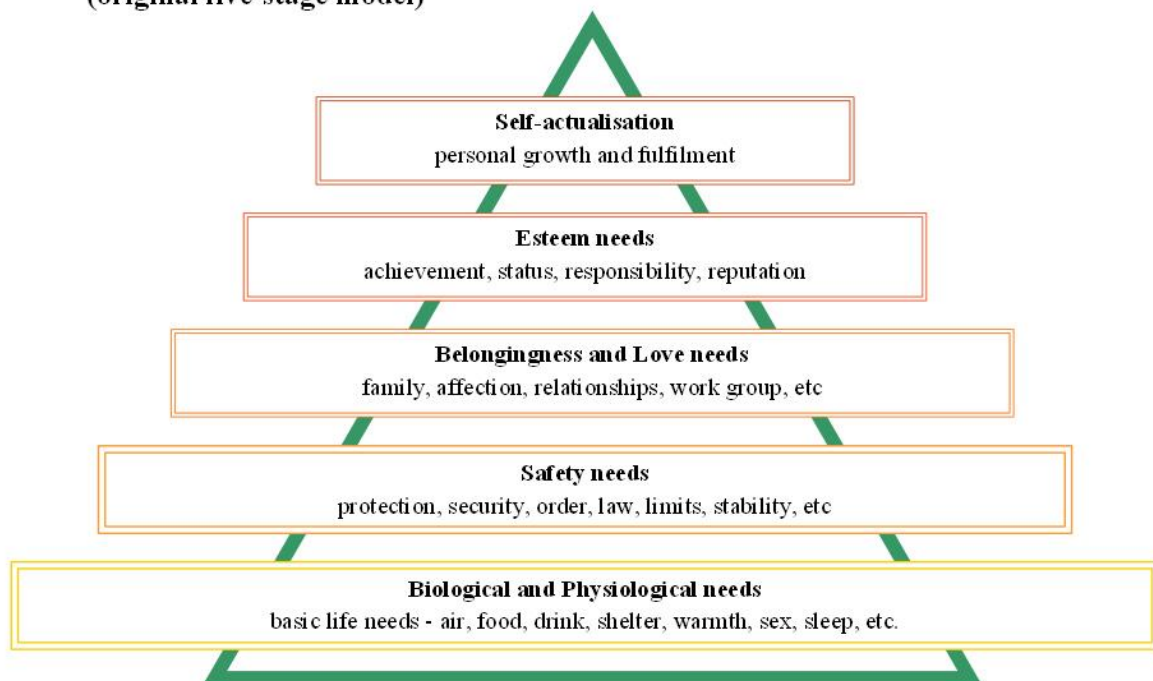
The Maslow's Hierarchy of Needs five-stage model below (structure and terminology - not the precise pyramid diagram itself) is clearly and directly attributable to Maslow; later versions of the theory with added motivational stages are not so clearly attributable to



Maslow. These extended models have instead been inferred by others from Maslow's work. Specifically Maslow refers to the needs Cognitive, Aesthetic and Transcendence (subsequently shown as distinct needs levels in some interpretations of his theory) as additional aspects of motivation, but not as distinct levels in the Hierarchy of Needs.

Where Maslow's Hierarchy of Needs is shown with more than five levels these models have been extended through interpretation of Maslow's work by other people. There have been very many interpretations of Maslow's Hierarchy of Needs in the form of pyramid diagrams. The diagrams on this page are my own interpretations and are not offered as Maslow's original work. Interestingly in Maslow's book Motivation and Personality, which first introduced the Hierarchy of Needs, there is not a pyramid to be seen.

Maslow's Hierarchy of Needs (original five-stage model)



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Each of us is motivated by needs. Our most basic needs are inborn, having evolved over tens of thousands of years. Abraham Maslow's Hierarchy of Needs helps to explain how these needs motivate us all.

Maslow's Hierarchy of Needs states that we must satisfy each need in turn, starting with the first, which deals with the most obvious needs for survival itself.



Only when the lower order needs of physical and emotional well-being are satisfied are we concerned with the higher order needs of influence and personal development.

Conversely, if the things that satisfy our lower order needs are swept away, we are no longer concerned about the maintenance of our higher order needs.

Maslow's original Hierarchy of Needs model was developed between 1943-1954, and first widely published in *Motivation and Personality* in 1954. At this time the Hierarchy of Needs model comprised five needs. This original version remains for most people the definitive Hierarchy of Needs.

1. Biological and Physiological needs - air, food, drink, shelter, warmth, sex, sleep, etc.
2. Safety needs - protection from elements, security, order, law, limits, stability, etc.
3. Belongingness and Love needs - work group, family, affection, relationships, etc.
4. Esteem needs - self-esteem, achievement, mastery, independence, status, dominance, prestige, managerial responsibility, etc.
5. Self-Actualization needs - realising personal potential, self-fulfillment, seeking personal growth and peak experiences.

This is the definitive and original Maslow's Hierarchy of Needs.

While Maslow referred to various additional aspects of motivation, he expressed the Hierarchy of Needs in these five clear stages.

Here is a quick simple self-test based on the original Maslow's 5-level Hierarchy of Needs. It's not a scientific or validated instrument - merely a quick indicator, which can be used for self-awareness, discussion, etc.

The expanded hierarchy of needs:

It is important to note that Maslow's (1943, 1954) five stage model has been expanded to include cognitive and aesthetic needs (Maslow, 1970a) and later transcendence needs (Maslow, 1970b).

Changes to the original five-stage model are highlighted and include a sevenstage model and a eight-stage model, both developed during the 1960's and 1970s.

1. Biological and Physiological needs - air, food, drink, shelter, warmth, sex, sleep, etc.
2. Safety needs - protection from elements, security, order, law, stability, etc.
3. Love and belongingness needs - friendship, intimacy, affection and love, -from work group, family, friends, romantic relationships.



4. Esteem needs - self-esteem, achievement, mastery, independence, status, dominance, prestige, managerial responsibility, etc.
5. Cognitive needs - knowledge, meaning, etc.
6. Aesthetic needs - appreciation and search for beauty, balance, form, etc.
7. Self-Actualization needs - realizing personal potential, self-fulfillment, seeking personal growth and peak experiences.
8. Transcendence needs - helping others to achieve self-actualization.

Maslow said that needs must be satisfied in the given order. Aims and drive always shift to next higher order needs. Levels 1 to 4 are deficiency motivators; level 5, and by implication 6 to 8, are growth motivators and relatively rarely found. The thwarting of needs is usually a cause of stress, and is particularly so at level 4.

Theory X and Theory Y (Douglas McGregor)

Douglas McGregor in his book, “The Human Side of Enterprise” published in 1960 has examined theories on behavior of individuals at work, and he has formulated two models which he calls Theory X and Theory Y. Douglas McGregor, an American social psychologist, proposed his famous X-Y theory in his 1960 book 'The Human Side Of Enterprise'. Theory x and theory y are still referred to commonly in the field of management and motivation, and whilst more recent studies have questioned the rigidity of the model, McGregor's X-Y Theory remains a valid basic principle from which to develop positive management style and techniques. McGregor's XY Theory remains central to organizational development, and to improving organizational culture.

McGregor's X-Y theory is a salutary and simple reminder of the natural rules for managing people, which under the pressure of day-to-day business are all too easily forgotten.

McGregor's ideas suggest that there are two fundamental approaches to managing people. Many managers tend towards theory x, and generally get poor results. Enlightened managers use theory y, which produces better performance and results, and allows people to grow and develop.

McGregor's ideas significantly relate to modern understanding of the Psychological Contract, which provides many ways to appreciate the unhelpful nature of X-Theory leadership, and the useful constructive beneficial nature of Y-Theory leadership.

Theory X Assumptions

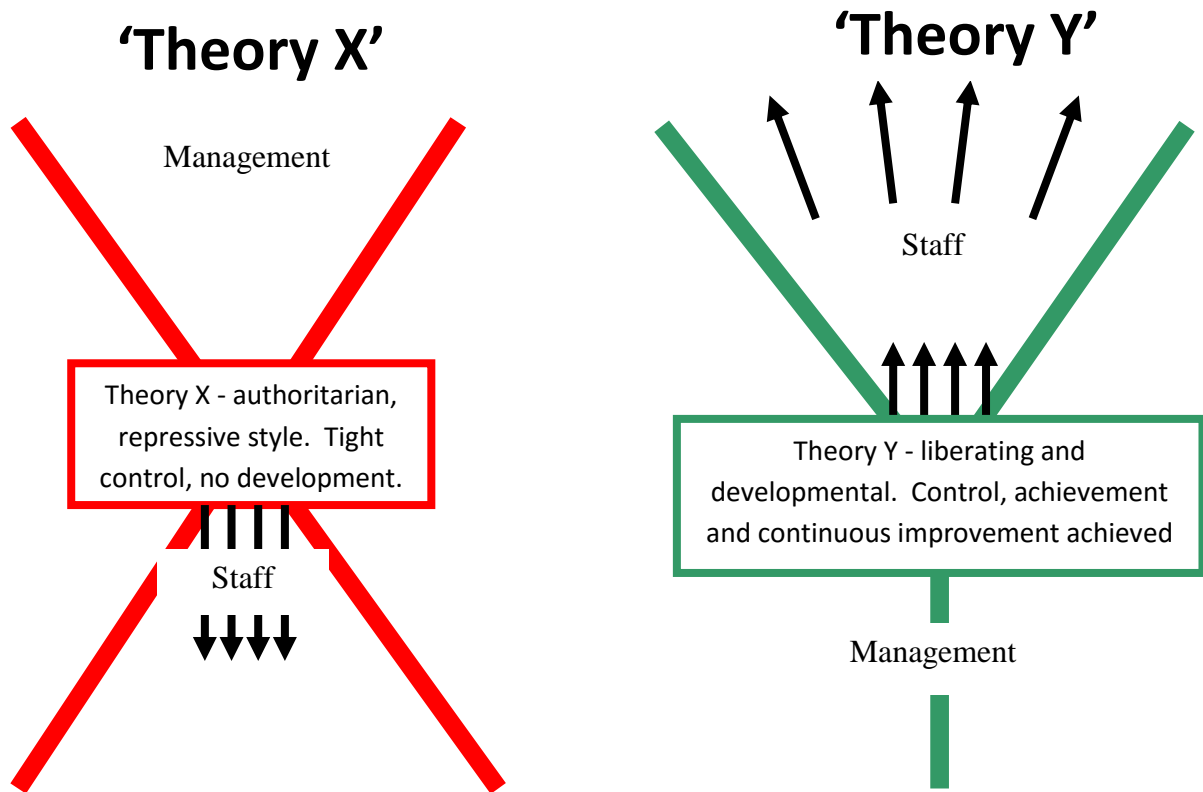
The average human being has an inherent dislike of work and will avoid it if he can.



- Because of their dislike for work, most people must be controlled and threatened before they will work hard enough.
- The average human prefers to be directed, dislikes responsibility, is unambiguous, and desires security above everything.
- These assumptions lie behind most organizational principles today, and give rise both to “tough” management with punishments and tight controls, and “soft” management which aims at harmony at work.
- Both these are “wrong” because man needs more than financial rewards at work, he also needs some deeper higher order motivation - the opportunity to fulfill himself.
- Theory X managers do not give their staff this opportunity so that the employees behave in the expected fashion.

Theory Y Assumptions

- The expenditure of physical and mental effort in work is as natural as play or rest.
- Control and punishment are not the only ways to make people work, man will direct himself if he is committed to the aims of the organization.
- If a job is satisfying, then the result will be commitment to the organization.
- The average man learns, under proper conditions, not only to accept but to seek responsibility.
- Imagination, creativity, and ingenuity can be used to solve work problems by a large number of employees.
- Under the conditions of modern industrial life, the intellectual potentialities of the average man are only partially utilized.



Comments on Theory X and Theory Y Assumptions

These assumptions are based on social science research which has been carried out, and demonstrate the potential which is present in man and which organizations should recognize in order to become more effective.

McGregor sees these two theories as two quite separate attitudes. Theory Y is difficult to put into practice on the shop floor in large mass production operations, but it can be used initially in the managing of managers and professionals.

In "The Human Side of Enterprise" McGregor shows how Theory Y affects the management of promotions and salaries and the development of effective managers. McGregor also sees Theory Y as conducive to participative problem solving.

It is part of the manager's job to exercise authority, and there are cases in which this is the only method of achieving the desired results because subordinates do not agree that the ends are desirable. However, in situations where it is possible to obtain commitment to objectives, it is better to explain the matter fully so that employees grasp the purpose of an action. They will then exert self-direction and control to do better work - quite possibly by better methods - than if they had simply been carrying out an order which they did not fully understand.

The situation in which employees can be consulted is one where the individuals are emotionally mature, and positively motivated towards their work; where the work is



sufficiently responsible to allow for flexibility and where the employee can see his own position in the management hierarchy. If these conditions are present, managers will find that the participative approach to problem solving leads to much improved results compared with the alternative

Characteristics of the x theory manager

Perhaps the most noticeable aspects of McGregor's XY Theory - and the easiest to illustrate - are found in the behaviours of autocratic managers and organizations which use autocratic management styles.

What are the characteristics of a Theory X manager? Typically some, most or all of these:

- results-driven and deadline-driven, to the exclusion of everything else
- intolerant
- issues deadlines and ultimatums
- distant and detached
- aloof and arrogant
- elitist
- short temper
- shouts
- issues instructions, directions, edicts
- issues threats to make people follow instructions
- demands, never asks
- does not participate
- does not team-build
- unconcerned about staff welfare, or morale
- proud, sometimes to the point of self-destruction
- one-way communicator
- poor listener
- fundamentally insecure and possibly neurotic
- anti-social
- vengeful and recriminatory
- does not thank or praise
- withholds rewards, and suppresses pay and remunerations levels
- scrutinises expenditure to the point of false economy
- seeks culprits for failures or shortfalls



- seeks to apportion blame instead of focusing on learning from the experience and preventing recurrence
- does not invite or welcome suggestions
- takes criticism badly and likely to retaliate if from below or peer group
- poor at proper delegating - but believes they delegate well
- thinks giving orders is delegating
- holds on to responsibility but shifts accountability to subordinates
- relatively unconcerned with investing in anything to gain future improvements
- unhappy

How to manage upwards - managing your X theory boss

Working for an X theory boss isn't easy - some extreme X theory managers make extremely unpleasant managers, but there are ways of managing these people upwards. Avoiding confrontation (unless you are genuinely being bullied, which is a different matter) and delivering results are the key tactics.

- Theory X managers (or indeed theory Y managers displaying theory X behaviour) are primarily results oriented - so orientate your your own discussions and dealings with them around results - ie what you can deliver and when.
- Theory X managers are facts and figures oriented - so cut out the incidentals, be able to measure and substantiate anything you say and do for them, especially reporting on results and activities.
- Theory X managers generally don't understand or have an interest in the human issues, so don't try to appeal to their sense of humanity or morality. Set your own objectives to meet their organisational aims and agree these with the managers; be seen to be self-starting, self-motivating, self-disciplined and well-organised - the more the X theory manager sees you are managing yourself and producing results, the less they'll feel the need to do it for you.
- Always deliver your commitments and promises. If you are given an unrealistic task and/or deadline state the reasons why it's not realistic, but be very sure of your ground, don't be negative; be constructive as to how the overall aim can be achieved in a way that you know you can deliver.
- Stand up for yourself, but constructively - avoid confrontation. Never threaten or go over their heads if you are dissatisfied or you'll be in big trouble afterwards and life will be a lot more difficult.



- If an X theory boss tells you how to do things in ways that are not comfortable or right for you, then don't questioning the process, simply confirm the end-result that is required, and check that it's okay to 'streamline the process' or 'get things done more efficiently' if the chance arises - they'll normally agree to this, which effectively gives you control over the 'how', provided you deliver the 'what' and 'when'.

And this is really the essence of managing upwards X theory managers - focus and get agreement on the results and deadlines - if you consistently deliver, you'll increasingly be given more leeway on how you go about the tasks, which amounts to more freedom. Be aware also that many X theory managers are forced to be X theory by the short-term demands of the organisation and their own superiors - an X theory manager is usually someone with their own problems, so try not to give them any more.

Frederick Herzberg motivational theory

Frederick Herzberg's motivation and hygiene factors

Frederick Herzberg (1923-2000), clinical psychologist and pioneer of 'job enrichment', is regarded as one of the great original thinkers in management and motivational theory. Frederick I Herzberg was born in Massachusetts on April 18, 1923. His undergraduate work was at the City College of New York, followed by graduate degrees at the University of Pittsburgh. Herzberg was later Professor of Management at Case Western Reserve University, where he established the Department of Industrial Mental Health. He moved to the University of Utah's College of Business in 1972, where he was also Professor of Management. He died at Salt Lake City, January 18, 2000.

Frederick Herzberg's book 'The Motivation to Work', written with research colleagues Bernard Mausner and Barbara Bloch Snyderman in 1959, first established his theories about motivation in the workplace. Herzberg's survey work, originally on 200 Pittsburgh engineers and accountants remains a fundamentally important reference in motivational study. While the study involved only 200 people, Herzberg's considerable preparatory investigations, and the design of the research itself, enabled Herzberg and his colleagues to gather and analyse an extremely sophisticated level of data.

Herzberg's research used a pioneering approach, based on open questioning and very few assumptions, to gather and analyse details of 'critical incidents' as recalled by the survey respondents. He first used this methodology during his doctoral studies at the University of Pittsburgh with John Flanagan (later Director at the American Institute for Research), who developed the Critical Incident method in the selection of Army Air Corps personnel during



the Second World War. Herzberg's clever open interviewing method gleaned far more meaningful results than the conventional practice of asking closed (basically yes/no) or multiple-choice or extent-based questions, which assume or prompt a particular type of response, and which incidentally remain the most popular and convenient style of surveying even today - especially among those having a particular agenda or publicity aim.

Herzberg also prepared intensively prior to his 1959 study - not least by scrutinizing and comparing the results and methodologies of all 155 previous research studies into job attitudes carried out between 1920 and 1954.

The level of preparation, plus the 'critical incident' aspect and the depth of care and analysis during the 1959 project, helped make Herzberg's study such a powerful and sophisticated piece of work.

Herzberg expanded his motivation-hygiene theory in his subsequent books: *Work and the Nature of Man* (1966); *The Managerial Choice* (1982); and *Herzberg on Motivation* (1983). Significantly, Herzberg commented in 1984, twenty-five years after his theory was first published:

"The original study has produced more replications than any other research in the history of industrial and organizational psychology." (source: Institute for Scientific Information)

The absence of any serious challenge to Herzberg's theory continues effectively to validate it. Herzberg's central theory is very relevant to modern understanding employer/employee relationships, mutual understanding and alignment within the Psychological Contract.

It also provided some foundations and basic principles of Nudge theory - a powerful change-management and motivational concept which emerged in the 2000s.

Herzberg's main theory and its significance

Herzberg was the first to show that satisfaction and dissatisfaction at work nearly always arose from different factors, and were not simply opposing reactions to the same factors, as had always previously been (and still now by the unenlightened) believed.

In 1959 Herzberg wrote the following useful little phrase, which helps explain this fundamental part of his theory, i.e., that the factors which motivate people at work are different to and not simply the opposite of the factors which cause dissatisfaction:

"We can expand ... by stating that the **job satisfiers** deal with the **factors involved in doing the job**, whereas the **job dissatisfiers** deal with the **factors which define the job context**."



For graphical presentation of this principle, see the Herzberg hygiene factors and motivators graph diagram (revised April 2008), and the Herzberg diagram rocket and launch pad analogy diagram, (both are pdf files).

The rocket analogy diagram, which incidentally is my own interpretation and not Herzberg's, is also available as a doc file and a powerpoint slide: Herzberg rocket diagram doc (MSWord) format, and Herzberg rocket diagram ppt (MSPowerpoint) format.

The graph diagram is also available in MSPowerpoint slide format: Herzberg's hygiene factors and motivators graph diagram ppt slide format.

The 2008 graph diagram is based on the total percentages of 'First-Level' factors arising in Herzberg's 1959 research of high and low attitude events among 200 engineers and accountants, encompassing short and long duration feelings.

While Herzberg's overall conclusions were clear and consistent, the statistics from Herzberg's study can be interpreted in many different ways in their finer details, because of the depth and layering of Herzberg's survey methodology and analysis.

For full details of the Herzberg study figures, and to fully appreciate the complexity and subtlety of his findings, see Herzberg's book *The Motivation to Work*. In addition to being really interesting and relevant to modern times, the book contains many tables of statistics and analysis, structured differently and extensively according to the variables that Herzberg considered to be important, for example, including the obvious main perspectives:

- high and low attitude (basically satisfaction and dissatisfaction, also defined as motivators and hygienes or hygiene factors)
- short and long term duration of feelings (of high/low attitude effect)
- first and second level factors (i.e., main causal factors, and secondary factors deriving from the main stimulus, identified by further probing during interviews)
- the interrelationship of factors

These different perspectives obviously provided (and still provide) endless ways to analyse and present the results, although as stated already the main conclusions remain consistent.

Incidentally, the 2008 revised graph diagram replaces the previous Herzberg factors diagram 2003 version, which I based on an interpretation of Herzberg's work by BACIE (British Association for Industrial and Commercial Education), appearing in their *Handbook of Management Training Exercises* published in 1978. BACIE referenced Herzberg's book *Work and the Nature of Man*, Staples Press 1966, but the root statistics and study are found in *The Motivation to Work*, 1959. I am unclear exactly how BACIE arrived at their figures



reflected in the 2003 diagram, and it remains on this website mainly because it featured here for so long. If you use it please ensure you explain the background suitably. I am sure there are very many graphical interpretations of Herzberg's study results, which for the reasons explained will probably vary somewhat in the detail, although probably not too much in overall impression.

The purpose of the diagram (either version) is to illustrate how Herzberg's research showed that certain factors truly motivate ('motivators'), whereas others tended to lead to dissatisfaction ('hygiene factors').

According to Herzberg, Man has two sets of needs; one as an animal to avoid pain, and two as a human being to grow psychologically.

He illustrated this also through Biblical example: Adam after his expulsion from Eden having the need for food, warmth, shelter, safety, etc., - the 'hygiene' needs; and Abraham, capable and achieving great things through self-development - the 'motivational' needs.

Certain parallels can clearly be seen with Maslow.

Herzberg's ideas relate strongly to modern ethical management and social responsibility, and very directly to the Psychological Contract. This is remarkable. Herzberg's ideas were developed several decades before proper consideration and description of these more recent and important organizational perspectives.

Many decades ago Herzberg, like Maslow, understood well and attempted to teach the ethical management principles that many leaders today, typically in businesses and organisations that lack humanity, still struggle to grasp. In this respect Herzberg's concepts are just as relevant now as when he first suggested them, except that the implications of responsibility, fairness, justice and compassion in business are now global.

Although Herzberg is most noted for his famous 'hygiene' and motivational factors theory, he was essentially concerned with people's well-being at work. Underpinning his theories and academic teachings, he was basically attempting to bring more humanity and caring into the workplace. He and others like him, did not develop their theories to be used as 'motivational tools' purely to improve organisational performance. They sought instead primarily to explain how to manage people properly, for the good of all people at work.

Herzberg's research proved that people will strive to achieve 'hygiene' needs because they are unhappy without them, but once satisfied the effect soon wears off - satisfaction is temporary. Then as now, poorly managed organisations fail to understand that people are not 'motivated' by addressing 'hygiene' needs. People are only truly motivated by enabling them



to reach for and satisfy the factors that Herzberg identified as real motivators, such as achievement, advancement, development, etc., which represent a far deeper level of meaning and fulfilment.

Examples of Herzberg's 'hygiene' needs (or maintenance factors) in the workplace are:

- policy
- relationship with supervisor
- work conditions
- salary
- company car
- status
- security
- relationship with subordinates
- personal life

Herzberg's research identified that true motivators were other completely different factors, notably:

- achievement
- recognition
- work itself
- responsibility
- advancement

N.B. Herzberg identified a specific category within the study responses which he called 'possibility of growth'. This arose in relatively few cases within the study and was not considered a major factor by Herzberg. Where referring to 'growth' or 'personal growth' in terms of Herzberg's primary motivators, 'growth' should be seen as an aspect of advancement, and not confused with the different matter of 'possibility of growth'.



UNIT V

COMMUNICATION

Communication (from Latin *commūnicāre*, meaning "to share") is the act of conveying intended meanings from one entity or group to another through the use of mutually understood signs and semiotic rules.

It's nearly impossible to go through a day without the use of communication. Communication is sending and receiving information between two or more people. The person sending the message is referred to as the sender, while the person receiving the information is called the receiver. The information conveyed can include facts, ideas, concepts, opinions, beliefs, attitudes, instructions and even emotions.

Types of Communication

Methods of communication vary, and you are almost certainly familiar with all of them. Let's take a look at some of the primary methods.

- Verbal communication is simply sending a message through a spoken language that is understood by both the sender and receiver of the message. Examples of verbal communications include face-to-face talking, listening to a lecture or seminar, and listening to a television program. In fact, if you are listening to this lesson, you are engaged in a verbal form of communication.
- Written communication is sending a message by the use of symbols that are understood by both the sender and receiver of the message. If you are reading the transcript of this lesson, you are engaged in written communication.
- Body language is a form of nonverbal communication that can be used to send a message. You can often tell if your boss is pleased or upset simply by looking at his facial expressions, posture and gestures. For example, a flushed face may mean embarrassment; a clenched fist may indicate anger; and the rolling of one's eyes may signal disbelief or annoyance.

Importance of Communication in an Organization

Effective Communication is significant for managers in the organizations so as to perform the basic functions of management, i.e., Planning, Organizing, Leading and Controlling.

Communication helps managers to perform their jobs and responsibilities. Communication serves as a foundation for planning. All the essential information must be communicated to the managers who in-turn must communicate the plans so as to implement them. Organizing



also requires effective communication with others about their job task. Similarly leaders as managers must communicate effectively with their subordinates so as to achieve the team goals. Controlling is not possible without written and oral communication.

Managers devote a great part of their time in communication. They generally devote approximately 6 hours per day in communicating. They spend great time on face to face or telephonic communication with their superiors, subordinates, colleagues, customers or suppliers. Managers also use Written Communication in form of letters, reports or memos wherever oral communication is not feasible.

Thus, we can say that “effective communication is a building block of successful organizations”. In other words, communication acts as organizational blood.

The importance of communication in an organization can be summarized as follows:

1. Communication promotes motivation by informing and clarifying the employees about the task to be done, the manner they are performing the task, and how to improve their performance if it is not up to the mark.
2. Communication is a source of information to the organizational members for decision-making process as it helps identifying and assessing alternative course of actions.
3. Communication also plays a crucial role in altering individual’s attitudes, i.e., a well informed individual will have better attitude than a less-informed individual. Organizational magazines, journals, meetings and various other forms of oral and written communication help in moulding employee’s attitudes.
4. Communication also helps in socializing. In today’s life the only presence of another individual fosters communication. It is also said that one cannot survive without communication.
5. As discussed earlier, communication also assists in controlling process. It helps controlling organizational member’s behaviour in various ways. There are various levels of hierarchy and certain principles and guidelines that employees must follow in an organization. They must comply with organizational policies, perform their job role efficiently and communicate any work problem and grievance to their superiors.

Thus, communication helps in controlling function of management.

An effective and efficient communication system requires managerial proficiency in delivering and receiving messages. A manager must discover various barriers to communication, analyze the reasons for their occurrence and take preventive steps to avoid



those barriers. Thus, the primary responsibility of a manager is to develop and maintain an effective communication system in the organization.

Communication Barriers

Communication is a process beginning with a sender who encodes the message and passes it through some channel to the receiver who decodes the message. Communication is fruitful if and only if the messages sent by the sender is interpreted with same meaning by the receiver. If any kind of disturbance blocks any step of communication, the message will be destroyed. Due to such disturbances, managers in an organization face severe problems. Thus the managers must locate such barriers and take steps to get rid of them.

There are several barriers that affects the flow of communication in an organization. These barriers interrupt the flow of communication from the sender to the reciever, thus making communication ineffective. It is essential for managers to overcome these barriers. The main barriers of communication are summarized below.

Following are the main communication barriers:

1. **Perceptual and Language Differences:** Perception is generally how each individual interprets the world around him. All generally want to receive messages which are significant to them. But any message which is against their values is not accepted. A same event may be taken differently by different individuals. For example : A person is on leave for a month due to personal reasons (family member being critical). The HR Manager might be in confusion whether to retain that employee or not, the immediate manager might think of replacement because his teams productivity is being hampered, the family members might take him as an emotional support.

The linguistic differences also lead to communication breakdown. Same word may mean different to different individuals. For example: consider a word “value”.

- a. What is the **value** of this Laptop?
- b. I **value** our relation?
- c. What is the **value** of learning technical skills?

“**Value**” means different in different sentences. Communication breakdown occurs if there is wrong perception by the receiver.

2. **Information Overload:** Managers are surrounded with a pool of information. It is essential to control this information flow else the information is likely to be misinterpreted or forgotten or overlooked. As a result communication is less effective.



3. **Inattention:** At times we just not listen, but only hear. For example a traveler may pay attention to one “NO PARKING” sign, but if such sign is put all over the city, he no longer listens to it. Thus, repetitive messages should be ignored for effective communication. Similarly if a superior is engrossed in his paper work and his subordinate explains him his problem, the superior may not get what he is saying and it leads to disappointment of subordinate.
4. **Time Pressures:** Often in organization the targets have to be achieved within a specified time period, the failure of which has adverse consequences. In a haste to meet deadlines, the formal channels of communication are shortened, or messages are partially given, i.e., not completely transferred. Thus sufficient time should be given for effective communication.
5. **Distraction/Noise:** Communication is also affected a lot by noise to distractions. Physical distractions are also there such as, poor lightning, uncomfortable sitting, unhygienic room also affects communication in a meeting. Similarly use of loud speakers interferes with communication.
6. **Emotions:** Emotional state at a particular point of time also affects communication. If the receiver feels that communicator is angry he interprets that the information being sent is very bad. While he takes it differently if the communicator is happy and jovial (in that case the message is interpreted to be good and interesting).
7. **Complexity in Organizational Structure:** Greater the hierarchy in an organization (i.e. more the number of managerial levels), more is the chances of communication getting destroyed. Only the people at the top level can see the overall picture while the people at low level just have knowledge about their own area and a little knowledge about other areas.
8. **Poor retention:** Human memory cannot function beyond a limit. One cant always retain what is being told specially if he is not interested or not attentive. This leads to communication breakdown.

Seven C's of Effective Communication:

There are 7 C's of effective communication which are applicable to both written as well as oral communication. These are as follows:

1. **Completeness** - The communication must be complete. It should convey all facts required by the audience. The sender of the message must take into consideration the



receiver's mind set and convey the message accordingly. A complete communication has following features:

- Complete communication develops and enhances reputation of an organization.
 - Moreover, they are cost saving as no crucial information is missing and no additional cost is incurred in conveying extra message if the communication is complete.
 - A complete communication always gives additional information wherever required. It leaves no questions in the mind of receiver.
 - Complete communication helps in better decision-making by the audience/readers/receivers of message as they get all desired and crucial information.
 - It persuades the audience.
2. **Conciseness** - Conciseness means wordiness, i.e, communicating what you want to convey in least possible words without forgoing the other C's of communication. Conciseness is a necessity for effective communication. Concise communication has following features:
- It is both time-saving as well as cost-saving.
 - It underlines and highlights the main message as it avoids using excessive and needless words.
 - Concise communication provides short and essential message in limited words to the audience.
 - Concise message is more appealing and comprehensible to the audience.
 - Concise message is non-repetitive in nature.
3. **Consideration** - Consideration implies "stepping into the shoes of others". Effective communication must take the audience into consideration, i.e, the audience's view points, background, mind-set, education level, etc. Make an attempt to envisage your audience, their requirements, emotions as well as problems. Ensure that the self-respect of the audience is maintained and their emotions are not at harm. Modify your words in message to suit the audience's needs while making your message complete. Features of considerate communication are as follows:
- Emphasize on "you" approach.



- Empathize with the audience and exhibit interest in the audience. This will stimulate a positive reaction from the audience.
 - Show optimism towards your audience. Emphasize on “what is possible” rather than “what is impossible”. Lay stress on positive words such as jovial, committed, thanks, warm, healthy, help, etc.
4. **Clarity** - Clarity implies emphasizing on a specific message or goal at a time, rather than trying to achieve too much at once. Clarity in communication has following features:
- It makes understanding easier.
 - Complete clarity of thoughts and ideas enhances the meaning of message.
 - Clear message makes use of exact, appropriate and concrete words.
5. **Concreteness** - Concrete communication implies being particular and clear rather than fuzzy and general. Concreteness strengthens the confidence. Concrete message has following features:
- It is supported with specific facts and figures.
 - It makes use of words that are clear and that build the reputation.
 - Concrete messages are not misinterpreted.
6. **Courtesy** - Courtesy in message implies the message should show the sender’s expression as well as should respect the receiver. The sender of the message should be sincerely polite, judicious, reflective and enthusiastic. Courteous message has following features:
- Courtesy implies taking into consideration both viewpoints as well as feelings of the receiver of the message.
 - Courteous message is positive and focused at the audience.
 - It makes use of terms showing respect for the receiver of message.
 - It is not at all biased.
7. **Correctness** - Correctness in communication implies that there are no grammatical errors in communication. Correct communication has following features:
- The message is exact, correct and well-timed.
 - If the communication is correct, it boosts up the confidence level.
 - Correct message has greater impact on the audience/readers.
 - It checks for the precision and accurateness of facts and figures used in the message.



- It makes use of appropriate and correct language in the message.

Awareness of these 7 C's of communication makes you an effective communicator.

Controlling

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

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

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

Controlling has got two basic purposes

1. It facilitates co-ordination
2. It helps in planning

Features of Controlling Function

Following are the characteristics of controlling function of management-

1. **Controlling is an end function-** A function which comes once the performances are made in conformance with plans.
2. **Controlling is a pervasive function-** which means it is performed by managers at all levels and in all type of concerns.
3. **Controlling is forward looking-** because effective control is not possible without past being controlled. Controlling always look to future so that follow-up can be made whenever required.
4. **Controlling is a dynamic process-** since controlling requires taking reviewal methods, changes have to be made wherever possible.
5. **Controlling is related with planning-** Planning and Controlling are two inseparable functions of management. Without planning, controlling is a meaningless exercise and without controlling, planning is useless. *Planning presupposes controlling and controlling succeeds planning.*



Process of Controlling

Controlling as a management function involves following steps:

1. **Establishment of standards-** Standards are the plans or the targets which have to be achieved in the course of business function. They can also be called as the criteria for judging the performance. Standards generally are classified into two-
 - a. Measurable or tangible - Those standards which can be measured and expressed are called as measurable standards. They can be in form of cost, output, expenditure, time, profit, etc.
 - b. Non-measurable or intangible- There are standards which cannot be measured monetarily. For example- performance of a manager, deviation of workers, their attitudes towards a concern. These are called as intangible standards.

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

2. **Measurement of performance-** The second major step in controlling is to measure the performance. Finding out deviations becomes easy through measuring the actual performance. Performance levels are sometimes easy to measure and sometimes difficult. Measurement of tangible standards is easy as it can be expressed in units, cost, money terms, etc. Quantitative measurement becomes difficult when performance of manager has to be measured. Performance of a manager cannot be measured in quantities. It can be measured only by-
 - a) Attitude of the workers,
 - b) Their morale to work,
 - c) The development in the attitudes regarding the physical environment, and
 - d) Their communication with the superiors.

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

- 3) **Comparison of actual and standard performance-** Comparison of actual performance with the planned targets is very important. Deviation can be defined as the gap between actual performance and the planned targets. The manager has to find out two things here- extent of deviation and cause of deviation. Extent of deviation means that the manager has to find out whether the deviation is positive or negative or whether the actual performance is in conformity with the planned performance. The managers have to exercise control by exception. He has to find out those deviations



which are critical and important for business. Minor deviations have to be ignored. Major deviations like replacement of machinery, appointment of workers, quality of raw material, rate of profits, etc. should be looked upon consciously. Therefore it is said, “ If a manager controls everything, he ends up controlling nothing.” For example, if stationery charges increase by a minor 5 to 10%, it can be called as a minor deviation. On the other hand, if monthly production decreases continuously, it is called as major deviation.

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

- a) Erroneous planning,
- b) Co-ordination loosens,
- c) Implementation of plans is defective, and
- d) Supervision and communication is ineffective, etc.

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

- a) Taking corrective measures for deviations which have occurred; and
- b) After taking the corrective measures, if the actual performance is not in conformity with plans, the manager can revise the targets. It is here the controlling process comes to an end. Follow up is an important step because it is only through taking corrective measures, a manager can exercise controlling.

Relationship between planning and controlling

Planning and controlling are two separate functions of management, yet they are closely related. The scope of activities if both are overlapping to each other. Without the basis of planning, controlling activities becomes baseless and without controlling, planning becomes a meaningless exercise. In absence of controlling, no purpose can be served by. Therefore, planning and controlling reinforce each other. According to Billy Goetz, “Relationship between the two can be summarized in the following points

1. Planning precedes controlling and controlling succeeds planning.
2. Planning and controlling are inseparable functions of management.
3. Activities are put on rails by planning and they are kept at right place through controlling.



4. The process of planning and controlling works on Systems Approach which is as follows:

Planning → Results → Corrective Action

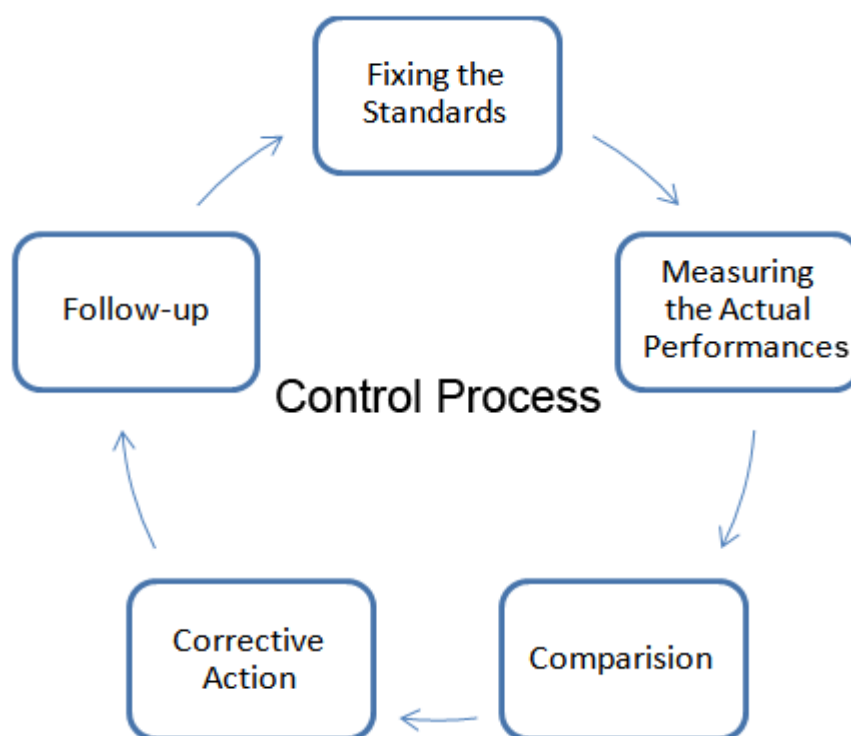
5. Planning and controlling are integral parts of an organization as both are important for smooth running of an enterprise.
6. Planning and controlling reinforce each other. Each drives the other function of management.

In the present dynamic environment which affects the organization, the strong relationship between the two is very critical and important. In the present day environment, it is quite likely that planning fails due to some unforeseen events. There controlling comes to the rescue. Once controlling is done effectively, it give us stimulus to make better plans. Therefore, planning and controlling are inseperate functions of a business enterprise.

Controlling Process in Business Management

Some of the essential steps of controlling process as studied under Business Management are : 1. Setting Performance Standards 2. Measurement of Actual Performance 3. Comparing Actual Performance with Standards 4. Analysing Deviations 5. Taking Corrective Action.

Controlling Process consists of following systematic steps:





1. Setting Performance Standards:

The first step in the process of controlling is concerned with setting performance standards. These standards are the basis for measuring the actual performance.

Thus, standards act as a lighthouse that warns & guides the ships at sea. Standards are the benchmarks towards which efforts of entire organisation are directed. These standards can be expressed both in quantitative and qualitative terms.

Examples of Quantitative Standards:

- (a) Revenue to be earned.
- (b) Units to be produced and sold.
- (c) Cost to be incurred.
- (d) Time to be spent in performing a task.
- (e) Amount of inventories to be maintained etc.

Examples of Qualitative Standards:

- (a) Improving motivation level of employees.
- (b) Improving labour relations.
- (c) Improving quality of products.
- (d) Improving goodwill etc.

In order to facilitate easy comparison of actual performance with the standards, a manager should try to set these standards in quantitative terms as far as possible. However, in case of qualitative standards, effort should be made to define these standards in such a way that comparison becomes easily understandable. For example, for improving customer satisfaction in a restaurant having self service, standard can be set in terms of time taken to get a table, place the order and collect the order. Moreover, the standards set should be flexible enough so that necessary changes can be made according to varying situations.

2. Measurement of Actual Performance:

Once the standards have been determined, the next step is to measure the actual performance. The various techniques for measuring are sample checking, performance reports, personal observation etc. However, in order to facilitate easy comparison, the performance should be measured on same basis that the standards have.

Following are some of the ways for measuring performance:

- (a) Superior prepares a report regarding the performance of an employee.
- (b) Various ratios like gross profit ratio, debtor turnover ratio, return on investment, current ratio etc. are calculated at periodic intervals to measure company's performance.
- (c) Progress made in areas like marketing can be measured by considering the number of units, increase in market share etc.



(d) In small organisations, each unit produced can be checked personally to ensure the quality standards.

(e) In large organisation, the technique of sample checking is used. Under this technique, some pieces are checked at random for quality specifications.

3. Comparing Actual Performance with Standards:

This step involves comparing the actual performance with standards laid down in order to find the deviations. For example, performance of a salesman in terms of unit sold in a week can be easily measured against the standard output for the week.

4. Analysing Deviations:

Some deviations are possible in all the activities. However, the deviation in the important areas of business needs to be corrected more urgently as compared to deviation in insignificant areas.

Management should use critical point control and management by exception in such areas.

(a) Critical Point Control:

Since it is neither easy nor economical to check each and every activity in an organisation, the control should focus on Key Result Areas (KRAs) which act as the critical points. The KRAs are very essential for the success of an organisation. Therefore, the entire organisation has to suffer if anything goes wrong at these points. For example, in a manufacturing organisation, an increase of 7% in labour cost is more troublesome than an 18% increase in stationary expenses.

(b) Management by Exception:

Management by exception or control by exception is an important principle of management control. According to this principle, an attempt to control everything results in controlling nothing. Thus only the important deviations which exceed the prescribed limit should be brought to the notice of management. Thus, if plans provide for 3% increase in labour cost, deviations beyond 3% alone should be brought to the notice of the management.

Advantages of Critical Point Control and Management by Exception are as follows:

- (i) Since managers deal only with important deviations, it results in saving time and efforts.
- (ii) It helps in identifying important deviations which need timely action to keep the organisation at the correct path.
- (iii) By handing over the routine problems to the subordinates, management by exception facilitates delegation of authority and helps in increasing morale of employees.
- (iv) It ensures better utilization of managerial expertise by focusing managerial attention only on important areas.

After identifying the deviations, various causes for these deviations are analyzed. The main causes can be structural drawbacks, shortage of resources, environmental factors beyond



organisational control, unrealistic standards, defective process etc. Exact cause or causes of deviation must be identified correctly in order to take effective corrective measures.

5. Taking Corrective Action:

The last step in the process of controlling involves taking corrective action. If the deviations are within acceptable limits, no corrective measure is required. However, if the deviations exceed acceptable limits, they should be immediately brought to the notice of the management for taking corrective measures, especially in the important areas.

Co-ordination

Co-ordination is an orderly arrangement of efforts to provide unity of action in the fulfillment of common objective whereas co-operation denotes collective efforts of persons working in an enterprise voluntarily for the achievement of a particular purpose. It is the willingness of individuals to help each other.

Co-ordination is an effort to integrate effectively energies of different groups whereas co-operation is sort to achieve general objectives of business.

Though these two are synonymous but they are different as below:

Differences between Co-ordination and Co-operation

Basis	Co-ordination	Co-operation
Meaning	It is an orderly arrangement of group efforts in pursuit of common goals.	It means mutual help willingly.
Scope	It is broader than co-operation which includes as well because it harmonizes the group efforts.	It is termed as a part of co-ordination.
Process	The function of co-ordination is performed by top management.	The functions of co-operation are prepared by persons at any level.
Requirements	Co-ordination is required by employees and departments at work irrespective of their work.	Co-operation is emotional in nature because it depends on the willingness of people working together.
Relationship	It establishes formal and informal	It establishes informal relationship.



	relationships.	
Freedom	It is planned and entrusted by the central authority & it is essential.	It depends upon the sweet will of the individuals and therefore it is not necessary.
Support	It seeks wholehearted support from various people working at various levels.	Co-operation without co-ordination is fruitless & therefore it may lead to unbalanced developments.

Therefore, existence of co-operation may prove to be effective condition or requisite for co-ordination. But it does not mean that co-ordination originates automatically from the voluntary efforts of the group of members. It has to be achieved through conscious & deliberate efforts of managers, therefore to conclude we can say that co-operation without co-ordination has no fruit and co-ordination without co-operation has no root.

Definition of Coordination

Co-ordination is the unification, integration, synchronization of the efforts of group members so as to provide unity of action in the pursuit of common goals. It is a hidden force which binds all the other functions of management.

According to *Mooney and Reelay*, “Co-ordination is orderly arrangement of group efforts to provide unity of action in the pursuit of common goals”.

According to *Charles Worth*, “Co-ordination is the integration of several parts into an orderly whole to achieve the purpose of understanding”.

Management seeks to achieve co-ordination through its basic functions of planning, organizing, staffing, directing and controlling. That is why, co-ordination is not a separate function of management because achieving of harmony between individuals efforts towards achievement of group goals is a key to success of management. Co-ordination is the essence of management and is implicit and inherent in all functions of management.

A manager can be compared to an orchestra conductor since both of them have to create rhythm and unity in the activities of group members. Co-ordination is an integral element or ingredient of all the managerial functions as discussed below: -



- a. **Co-ordination through Planning** - Planning facilitates co-ordination by integrating the various plans through mutual discussion, exchange of ideas. e.g. - co-ordination between finance budget and purchases budget.
- b. **Co-ordination through Organizing** - Mooney considers co-ordination as the very essence of organizing. In fact when a manager groups and assigns various activities to subordinates, and when he creates department's co-ordination uppermost in his mind.
- c. **Co-ordination through Staffing** - A manager should bear in mind that the right no. of personnel in various positions with right type of education and skills are taken which will ensure right men on the right job.
- d. **Co-ordination through Directing** - The purpose of giving orders, instructions & guidance to the subordinates is served only when there is a harmony between superiors & subordinates.
- e. **Co-ordination through Controlling** - Manager ensures that there should be co-ordination between actual performance & standard performance to achieve organizational goals.

Importance of Coordination

1. **It helps in Achieving Group Goals** - It arranges the factors of production, assembles and organizes the resources, integrates the resources in effective manner to achieve goals. It directs group efforts towards achievement of pre-determined goals. By defining objective of organization clearly there would be no wastage of time, money and effort. Management converts disorganized resources of men, machines, money etc. into useful enterprise. These resources are coordinated, directed and controlled in such a manner that enterprise work towards attainment of goals.
2. **Optimum Utilization of Resources** - Management utilizes all the physical & human resources productively. This leads to efficacy in management. Management provides maximum utilization of scarce resources by selecting its best possible alternate use in industry from out of various uses. It makes use of experts, professional and these services leads to use of their skills, knowledge, and proper utilization and avoids wastage. If employees and machines are producing its maximum there is no under employment of any resources.
3. **Reduces Costs** - It gets maximum results through minimum input by proper planning and by using minimum input & getting maximum output. Management uses physical,



human and financial resources in such a manner which results in best combination. This helps in cost reduction.

4. **Establishes Sound Organization** - No overlapping of efforts (smooth and coordinated functions). To establish sound organizational structure is one of the objective of management which is in tune with objective of organization and for fulfillment of this, it establishes effective authority & responsibility relationship i.e. who is accountable to whom, who can give instructions to whom, who are superiors & who are subordinates. Management fills up various positions with right persons, having right skills, training and qualification. All jobs should be cleared to everyone.
5. **Establishes Equilibrium** - It enables the organization to survive in changing environment. It keeps in touch with the changing environment. With the change in external environment, the initial co-ordination of organization must be changed. So it adapts organization to changing demand of market / changing needs of societies. It is responsible for growth and survival of organization.
6. **Essentials for Prosperity of Society** - Efficient management leads to better economical production which helps in turn to increase the welfare of people. Good management makes a difficult task easier by avoiding wastage of scarce resource. It improves standard of living. It increases the profit which is beneficial to business and society will get maximum output at minimum cost by creating employment opportunities which generate income in hands. Organization comes with new products and researches beneficial for society.

Need of Coordination

Co-ordination is an abstract of management. The purpose of coordination is to synchronize the functions of various sections for achieving organizational goals with minimum effort. It is an orderly management of group effort to provide unity of action in the pursuit of common purpose.

The need for co-ordination arises due to the following

1. In every organization, the nature of work is such that it requires to be divided into homogeneous and specialized sub-tasks and then without Integration and co-ordination the output of the organization will be nil.
2. Co-ordination applies to group effort rather than to individual effort. It gives importance to unity of effort and united action. The outcome of coordinated group efforts will be much better than the sum results of various individuals.



3. Coordination motivates the employees to consider their work from the point of view of business and so the employees will willingly contribute towards the success of the concern. Therefore, coordination is heartbeat of organization which brings integration of efforts and action among employees in the organization.

3. Coordination ensures commitment on the part of divisions, groups, individuals toward organizational goals.

4. Coordination ensures efficiency and economy in the organization, enterprise to ensure smooth working. It also helps in saving of time by bringing efficiency and economy to the enterprise.

5. There may arise certain circumstances that may demand sacrifice of objective of one department in the welfare of the enterprise as a whole. In such situation, the need for coordination arises.

6. Coordination is directed towards channelizing the efforts, skills, energies of work groups along organizationally established lines. If the co-ordination is absent, group members may be pulled in different directions and work at cross purposes.

Techniques of coordination

1. **Well defined goals:** – the first means or technique of coordination is well defined goals.

The goals of the organization should be clear and well defined. Each individual in the organization should understand the overall goals. When the goals are not well defined the coordination may not effective.

2. **Sound organization structure:** – coordination is the essence of management. It is not possible without sound organization structure. The authority and responsibility for each and every positions and employees should be clearly defined.

3. **Effective communication:** – coordination helps in creating proper understanding among persons. Without effective communication, coordination may be effective. The ideas, opinions should be interchanged freely. It is only through effective communication that even individual understand his/her limitations, positions and responsibility in the organization. Effective communication helps in coordination. Therefore, it is also an important means of coordination.

4. **Proper leadership:** – proper leadership leads the subordinates effectively and efficiently. A good managerial leader uses the motivational tools to coordinate the employees with effective communication system. In short, coordination is made possible through proper leadership.



5. **Proper supervision:** – supervisors coordinate the subordinates and their activities. Top level management cannot coordinate all employees. In short, proper supervision helps in effective coordination.
6. **Better plans and policies:** – coordination is made according to plans and policies of the organization and departments. When the plans and policies are not better coordination is not effective in the organization.
7. **Cooperation:** – without cooperation, coordination may not succeed because coordination is related to employees and their activities. When they are not cooperative, coordination may not be made. So, cooperation is essential in the organization.
8. **Meeting and conference:** – coordination may be possible when all employees their all activities and departmental goals are involved in organizational planning and policies. Their all problems and matters may be involved. When there is environment of constructive discussion and debate with meeting and conference
9. **Group decision:** – the group decision is a decision in which all members of the organization are participated to make decisions. The ideas and feelings are mixed into the decision and coordination may succeed.

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Course Material Prepared by

Dr. G. MONIKANDA PRASAD

Assistant Professor, Department of Economics

Manonmaniam Sundaranar University, Tirunelveli – 627 012.