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**BBA II – YEAR**  
**DJB2A: PRINCIPLES OF MANAGEMENT**  
**SYLLABUS**

**Unit – I:**

Meaning and Definition of Management – Nature of Management – Art, Science or Profession – Levels of Management – Management Process and functions – Japanese Management Process and Functions – Forecasting – importance, methods and limitations of forecasting – planning, meaning, nature and importance, types of plans, planning process – Rational decision making process, M.B.O.

**Unit – II:**

Concept of organisation – Authority and Responsibility – Delegation of authority – Centralization and Decentralisation – Departmentation – Span of Management – Forms of organisation: Line, Line and staff and Functional – Steps in staffing.

**Unit – III:**

Principles of direction and supervision – Techniques of direction. Meaning of importance of Supervision – functions of supervisor – coordination – importance, elements and steps. Motivation: Meaning, kinds and theories of motivation, Theory X, Theory Y and Theory Z Hierarchy of Needs Theory – communication process – Principles of communication, Barrier, intercoming barriers.

**Unit – IV:**

Concept of Control, definitions, elements and process of control – steps in control, qualities of good control system. Tool of control – Business Budgeting, Management Accounting, Management Reports, PERT and CPM, Control techniques and Information Technology.

**Unit – V:**

The Evolution of Management Theory – The Scientific Management Schools: F.W. Taylor, Henry L.Gantt, The Gilberts – Classical Organisation Theory school: Henri Fayol, Max Weber, Mary Parker Follet – The Behavioural School : Elton Mayo, Abraham Maslow, Douglas



Mcgregor – The Management Science School, Operations Research – The Systems Approach meaning and concepts. Peter Drucker and his ideas on management.

**Text Books:**

1. Principles and Practice of Management – Dr. S. C. Saxena (Sahithya Bhavan)
2. Principles of Management – P.C. Tripathi P. N. Reddi
3. Essentials of Management – Harold Koontz and Heinz Weihrich (McGraw Hill International Edition)
4. Principles of Management – T. Ramasamy (Himalaya Publishing Cony)
5. Principles and Practice of Management – L.M. Prasad – Sulthan Chand and Sons, New Delhi – 2.

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## UNIT – I

*Meaning and Definition of Management – Nature of Management – Art, Science or Profession – Levels of Management – Management Process and functions – Japanese Management Process and Functions – Forecasting – importance, methods and limitations of forecasting – planning, meaning, nature and importance, types of plans, planning process – Rational decision making process, M.B.O.*

**Concept of Management:** Principles of Management are the broad and general guidelines for managerial decision making. They are different from principles of science as they deal with human behaviour. They are different from techniques of management as techniques are methods whereas principles are guidelines to action and decision making. Principles of management are different from values which are formed as generally accepted behaviour in society and are having moral coordination whereas principles are formed through research having technical nature. The management principles are derived from observation, analysis, experimental studies and personal experiences of the managers.



**Meaning of Management:** Management is the art of inducing people to give their best contribution towards the most effective and efficient accomplishment of group goals by performing managerial functions of planning, organising, staffing, directing and controlling with emphasis on co-ordination throughout the managerial process.

**Definition:** According to Koontz and 'o' Donnel "Management is the art of getting things done through others.

**NATURE OF MANAGEMENT:** The nature of management can be described in the following points:



- (a) **Universal applicability:** They can be applied in all types of organizations, business as well as non-business, small as well as large enterprises.
- (b) **General Guidelines:** They are general guidelines to action and decision – making however they do not provide readymade solutions as the business environment is ever changing or dynamic.
- (c) **Formed by practice and experimentation:** They are developed after thorough research work on the basis of experiences of managers.
- (d) **Flexible:** Which can be adapted and modified by the practicing managers as per the demands of the situations as they are man-made principles.
- (e) **Mainly Behavioural:** Since the principles aim at influencing complex human behaviour they are behavioral in nature.
- (f) **Cause and Effect relationship:** They intend to establish relationship between cause and effect so that they can be used in similar situations.
- (g) **Contingent:** Their applicability depends upon the prevailing situation at a particular point of time.

According to Terry, “Management principles are ‘capsules’ of selected management wisdom to be used carefully and discretely”.

## **MANAGEMENT AS A SCIENCE, ARTS AND PROFESSION!**

Some authors regard management as science because there are well tested and experimented principles of management, some authors describe management as an art because more practice is required in management and some authors consider that management is going towards the paths of profession. To conclude whether management is science, art or profession, we must understand the features and meanings of science, art and profession and compare them with management meaning and features.

**Management as a Science:** Science can be defined as a systematic and organized body of knowledge based on logically observed findings, facts and events. Science comprises of exact principles which can be verified and it can establish cause and effect relations.



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## **Main characteristics/features of science are:**

**1. Systematic body of knowledge:** In science organized and systematic study material is available which is used to acquire the knowledge of science. Like science in management also there is availability of systematic and organised study material. So first feature of science is present in management.

**2. Scientific principles are derived on the basis of logical and scientific observations:** The scientists perform logical observation before deriving any principle or theory. They are very objective while doing the observations. But when managers are observing they have to observe human beings and observation of human being cannot be purely logical and objective. Some kind of subjectivity enters in the observations so this feature of science is not present in management. All the scientific principles have same effect, wherever we try them whereas effect of management principles varies from one situation to other.

**3. Principles are based on repeated experiments:** Before developing scientific principles scientists test these principles under different conditions and places. Similarly, managers also test and experiment managerial principles under different conditions in different organisations. So this feature of science is present in management.

**4. Universal Validity:** Scientific principles have universal application and validity. Management principles are not exact like scientific principles so their application and use is not universal. They have to be modified according to the given situation. So this feature of science is not present in management.

**5. Replication is possible:** In science replication is possible as when two scientists are undertaking the same investigation working independently and treating the same data under the same conditions may desire or obtain the identical or exactly same result. But in management managers have to conduct research or experiments on human beings. So if two managers are investigating same data, on different sets of human beings they will not get identical or same result because human beings never respond in exactly identical manner. So this feature of science is also not present in management.



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**Management as an Art:** Art can be defined as systematic body of knowledge which requires skill, creativity and practice to get perfection.

**The main features of art are:**

**1. Systematic body of knowledge/Existence of theoretical knowledge:** In every art there is systematic and organized study material available to acquire theoretical knowledge of the art. For example, various books on different ragas are available in music. In management also there is systematic and organised body of knowledge available which can help in acquiring managerial studies. So this feature of art is present in management also.

**2. Personalized application:** In the field of art only theoretical knowledge is not enough. Every artist must have personal skill and creativity to apply that knowledge. For example, all musicians learn same ragas but they apply these ragas according to their personal skill and creativity which makes them different. In management also all managers learn same management theories and principles. But their efficiency depends on how well they use these principles under different situations by applying personal skills and creativity so this feature of art is also present in management.

**3. Based on Practice and creativity:** The artist requires regular practice of art to become more fine and perfect. Without practice artists lose their perfection. Art requires creative practice, i.e., artist must add his creativity to the theoretical knowledge he has learned. Same way with experience managers also improves their managerial skills and efficiency. So this feature of art is also present in management.

**Management: Both Science and Art:** Management is both science as well as art. Like science it has systematic and well-organised body of knowledge and like art it requires personal skill, creativity and practice to apply such knowledge in the best possible way. Science and art are not in contrast to each other; both exist together in every function of management.

**Management as a Profession:** Profession can be defined as an occupation backed by specialized knowledge and training, in which entry is restricted.

**The main features of profession are:**

**1. Well defined Body of knowledge:** In every profession there is practice of systematic body of knowledge which helps the professionals to gain specialised knowledge of that profession. In case of management also there is availability of systematic body of knowledge.



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There are large numbers of books available on management studies. Scholars are studying various business situations and are trying to develop new principles to tackle these situations. So presently this feature of profession is present in management also.

**2. Restricted Entry:** The entry to a profession is restricted through an examination or degree. For example a person can practice as Doctor only when he is having MBBS degree. Whereas there is no legal restriction on appointment of a manager, anyone can become a manager irrespective of the educational qualification. But now many companies prefer to appoint managers only with MBA degree. So presently this feature of profession is not present in management but very soon it will be included with statutory backing.

**3. Presence of professional associations:** For all the professions, special associations are established and every professional has to get himself registered with his association before practising that profession. For example, doctors have to get themselves registered with Medical Council of India, lawyers with Bar Council of India etc. In case of management various management associations are set up at national and international levels which have some membership rules and set of ethical codes, for example, AIMA in New Delhi, National Institute of Personal Management at Calcutta etc., but legally it is not compulsory for managers to become a part of these organisations by registration. So presently this feature of profession is not present in management but very soon it will be included and get statutory backing also.

**4. Existence of ethical codes:** For every profession there are set of ethical codes fixed by professional organisations and are binding on all the professionals of that profession. In case of management there is growing emphasis on ethical behaviour of managers. All India Management Association (AIMA) has devised a code of conduct for Indian managers. But legally it is not compulsory for all the managers to get registered with AIMA and abide by the ethical codes. So presently this feature of profession is not present in management but very soon it will be included with statutory backing.

**5. Service Motive:** The basic motive of every profession is to serve the clients with dedication. Whereas basic purpose of management is achievement of management goal, for example for a business organisation the goal can be profit maximization. But nowadays only profit maximisation cannot be the sole goal of an enterprise. To survive in market for a long period of time, a businessman must give due importance to social objectives along with



economic objectives. So presently this feature of profession is not present but very soon it will be included.

**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:



**1. 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.



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

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

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

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



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

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

**MANAGEMENT PROCESS:** As a process, management refers to a series of inter-related functions. It is the process by which management creates, operates and directs purposive organization through systematic, coordinated and co-operated human efforts, according to George R. Terry, “Management is a distinct process consisting of planning, organizing, actuating and controlling, performed to determine and accomplish stated objective by the use of human beings and other resources”. As a process, management consists of three aspects:



1. **Management is a social process** - Since human factor is most important among the other factors, therefore management is concerned with developing relationship among people. It is the duty of management to make interaction between people - productive and useful for obtaining organizational goals.
2. **Management is an integrating process** - Management undertakes the job of bringing together human physical and financial resources so as to achieve organizational purpose. Therefore, is an important function to bring harmony between various factors.
3. **Management is a continuous process** - It is a never ending process. It is concerned with constantly identifying the problem and solving them by taking adequate steps. It is an on-going process.

### **FUNCTIONS OF MANAGEMENT:**



1. **Planning:** The planning function of management controls all the planning that allows the organization to run smoothly. Planning involves defining a goal and determining the most effective course of action needed to reach that goal. Typically, planning involves flexibility, as the planner must coordinate with all levels of management and leadership in the organization. Planning also involves knowledge of the company's resources and the future objectives of the business.
2. **Organizing:** The organizing function of leadership controls the overall structure of the company. The organizational structure is the foundation of a company; without this structure, the day-to-day operation of the business becomes difficult and unsuccessful. Organizing involves designating tasks and responsibilities to employees with the specific



skill sets needed to complete the tasks. Organizing also involves developing the organizational structure and chain of command within the company.

3. **Staffing:** The staffing function of management controls all recruitment and personnel needs of the organization. The main purpose of staffing is to hire the right people for the right jobs to achieve the objectives of the organization. Staffing involves more than just recruitment; staffing also encompasses training and development, performance appraisals, promotions and transfers. Without the staffing function, the business would fail because the business would not be properly staffed to meet its goals.
4. **Coordinating:** The coordinating function of leadership controls all the organizing, planning and staffing activities of the company and ensures all activities function together for the good of the organization. Coordinating typically takes place in meetings and other planning sessions with the department heads of the company to ensure all departments are on the same page in terms of objectives and goals. Coordinating involves communication, supervision and direction by management.
5. **Controlling:** The controlling function of management is useful for ensuring all other functions of the organization are in place and are operating successfully. Controlling involves establishing performance standards and monitoring the output of employees to ensure each employee's performance meets those standards. The controlling process often leads to the identification of situations and problems that need to be addressed by creating new performance standards. The level of performance affects the success of all aspects of the organization.

**THE MANAGEMENT SYSTEM OF JAPAN AND USA:** This comparative study of American and Japanese management styles in a conceptual framework consisting of six managerial dimensions:

**1. Supervisory style:** Supervisory style refers to the type of interactions between supervisors and their subordinates. The American management pattern is mostly characterized by supervisory style stressing more Theory X type, task-oriented, and transactional leadership methods.



**2. Decision making:** Decision making refers to different approaches to across organizations and countries (Pascale 1978). In their decision making, American managers emphasize concrete results rather than the process. Additionally, they make decisions in a less participative fashion than do Japanese.

**3. Communication pattern:** Communication pattern refers to the functions of organizational communication, including providing informational input to decisions; establishing tasks, duties, roles, responsibilities, and authority; achieving cooperation, and guiding action toward goals; instructing, developing, and changing; and providing feedback. . Individual responsibility and top-down decision making appear to be common features of the American system

**4. Control mechanism:** Control mechanism refers to comparison of standards with outcomes. Ouchi (1981) distinguishes between explicit and implicit control. American management sets specific, measurable performance targets, whereas Japanese managers rely on values embodied in a philosophy of management, governing organizational and individual behavior to accomplish objectives.

**5. Interdepartmental relationships:** Interdepartmental relations describe the degree of interaction among departments within an organization. Moreover, interdepartmental interactions are intensive in Japanese organizations. Japanese manager are attentive to interdepartmental dependency and cooperation.

**6. Paternalistic orientation:** Paternalistic orientation means managers' concern with personal and family life of employees and providing social support for them. Paternalistic orientation in Japan is well-instituted as managers are concerned for the employees' non-work matters. Japanese managers also view their units as more effective in comparison to American managers because probably open communication and range system in Japan, in particular, improve operations.



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## FORECASTING

In preparing plans for the future, the management authority has to make some predictions about what is likely to happen in the future. It shows that the managers know something of future happenings even before things actually happen. Forecasting provides them this knowledge. Forecasting is the process of estimating the relevant events of future, based on the analysis of their past and present behaviour. The future cannot be probed unless one knows how the events have occurred in the past and how they are occurring presently. The past and present analysis of events provides the base helpful for collecting information about their future occurrence. Thus, forecasting may be defined as the process of assessing the future normally using calculations and projections that take account of the past performance, current trends, and anticipated changes in the foreseeable period ahead. Whenever the managers plan business operations and organisational set-up for the years ahead, they have to take into account the past, the present and the prevailing economic, political and social conditions. Forecasting provides a logical basis for determining in advance the nature of future business operations and the basis for managerial decisions about the material, personnel and other requirements. It is, thus, the basis of planning, when a business enterprise makes an attempt to look into the future in a systematic and concentrated way, it may discover certain aspects of its operations requiring special attention. However, it must be recognised that the process of forecasting involves an element of guesswork and the managers cannot stay satisfied and relaxed after having prepared a forecast. The forecast will have to be constantly monitored and revised—particularly when it relates to a long-term period. The managers should try to reduce the element of guesswork in preparing forecasts by collecting the relevant data using the scientific techniques of analysis and inference.

### **Importance of Forecasting:**

**1. Promotion of new business:** Forecasting is of utmost importance in setting up a new business. It is not an easy task to start a new business as it is full of uncertainties and risks. With the help of forecasting the promoter can find out whether he can succeed in the new business; whether he can face the existing competition; what is the possibility of creating demand for the proposed product etc. After discovering the business opportunity, he will see the possibilities of



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assembling men, money, materials etc. The success of a business unit depends upon as to how sound is the forecasting? Proper forecasting will help to minimise the role of luck or chance in determining business success or failure. A successful promoter is also the prophet of economic conditions.

**2. Estimation of financial requirements:** The importance of forecasting can't be ignored in estimating the financial requirements of a concern. Efficient utilisation of capital is a delicate issue before the management. No business can survive without adequate capital. But adequacy of either fixed or working capital depends entirely on sound financial forecasting. Financial estimates can be calculated in the light of probable sales and cost thereof. How much capital is needed for expansion, development etc., will depend upon accurate forecasting?

**3. Smooth and continuous working of a concern:** 'Forecasting of earnings' ensures smooth and continuous working of an enterprise, particularly to newly established ones. By forecasting, these concerns can estimate their expected profits or losses. The object of a forecast is to reduce in black and white the details of working of a concern.

**4. Correctness of management decisions:** The correctness of management decisions to a great extent depends upon accurate forecasting. As Meivin, T. Copeland says, "Administration is essentially a decision making process and authority has responsibility for making decisions and for ascertaining that the decisions made are carried out. In business, whether the enterprise is large or small, changes in conditions occur; shifts in personnel take place, unforeseen contingencies arise. Moreover, just to get the wheels started and to keep them turning, decisions must be made." This shows that the decision making process continues throughout the life of the concern. Forecasting plays an important role in various fields of the concern. As in the case of production planning, management has to decide what to produce and with what resources. Thus forecasting is considered as the indispensable component of business, because it helps management to take correct decisions.

**5. Success in business:** The accurate forecasting of sales helps to procure necessary raw materials on the basis of which many business activities are undertaken. The accurate sales



forecasting becomes the basis for several other budgets. In the absence of accurate sales forecasting, it is difficult to decide as to how much production should be done. Thus, to a great extent, the budgets of other departments depend upon the compilations based on the sales forecasts and the accuracy of these budgets also depends upon correctness of sales forecasting. Thus, the success of a business unit depends on the accurate forecasting by the various departments.

**6. Plan Formulation:** The importance of correct forecasting is apparent from the Key role it plays in planning. It should not go unaccounted that forecasting is an essential element in planning since planning premises include some forecasts. There are forecast data of a factual nature having enormous implication on sound premises. Undoubtedly, forecasting is a prelude to planning and indeed it is the foundation on which planning takes place. Infact, planning under all circumstances and in all occasions involve a good deal of forecasting, i.e. appraising the future in the light of existing conditions and environment. Forecasting and planning are closely related. Adequate planning, no matter whether it is overall or sectoral, short-term or long term, largely depends on forecasting.

**7. Co-Operation and co-ordination:** Forecasting is not one man's job. It needs proper co-ordination of all departmental heads in a company. Thus, by bringing participation of all concerned in the process of forecasting, team spirit and coordination is automatically encouraged. According to Henry Fayol, "The act of forecasting is of great benefit to all who take part in the process, and is the best means of ensuring adaptability to changing circumstances. The collaboration of all concerned leads to a united front, an understanding of the reasons for decisions and a broadened outlook."

**8. Complete Control:** Forecasting provides the information which helps in the achievement of effective control. The managers become aware of their weaknesses during forecasting and through implementing better effective control they can overcome these weaknesses.



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## METHODS OF FORECASTING:

There are various methods of forecasting. However, no method can be suggested as universally applicable. In fact, most of the forecasts are done by combining various methods. A brief discussion of the major forecasting methods is given below:

**1. Historical Analogy Method:** Under this method, forecast in regard to a particular situation is based on some analogous conditions elsewhere in the past. The economic situation of a country can be predicted by making comparison with the advanced countries at a particular stage through which the country is presently passing. Similarly, it has been observed that if anything is invented in some part of the world, this is adopted in other countries after a gap of a certain time. Thus, based on analogy, a general forecast can be made about the nature of events in the economic system of the country. It is often suggested that social analogies have helped in indicating the trends of changes in the norms of business behaviour in terms of life. Likewise, changes in the norms of business behaviour in terms of attitude of the workers against inequality, find similarities in various countries at various stages of the history of industrial growth. Thus, this method gives a broad indication about the future events of general nature.

**2. Survey Method:** Surveys can be conducted to gather information on the intentions of the concerned people. For example, information may be collected through surveys about the probable expenditure of consumers on various items. Both quantitative and qualitative information may be collected by this method. On the basis of such surveys, demand for various products can be projected. Survey method is suitable for forecasting demand—both of existing and new products. To limit the cost and time, the survey may be restricted to a sample from the prospective consumers.

**3. Opinion Poll:** Opinion poll is conducted to assess the opinion of the experienced persons and experts in the particular field whose views carry a lot of weight. For example, opinion polls are very popular to predict the outcome of elections in many countries including India. Similarly, an opinion poll of the sales representatives, wholesalers or marketing experts may be helpful in formulating demand projections. If opinion polls give widely divergent views, the experts may be called for discussion and explanation of why they are holding a particular view. They may be asked to comment on the views of the others, to revise their views in the



context of the opposite views, and consensus may emerge. Then, it becomes the estimate of future events.

**4. Business Barometers:** A barometer is used to measure the atmospheric pressure. In the same way, index numbers are used to measure the state of an economy between two or more periods. These index numbers are the device to study the trends, seasonal fluctuations, cyclical movements, and irregular fluctuations. These index numbers, when used in combination with one another, provide indications as to the direction in which the economy is proceeding. Thus, with the business activity index numbers, it becomes easy to forecast the future course of action. However, it should be kept in mind that business barometers have their own limitations and they are not sure road to success. All types of business do not follow the general trend but different index numbers have to be prepared for different activities, etc.

**5. Time Series Analysis:** Time series analysis involves decomposition of historical series into its various components, viz. trend, seasonal variances, cyclical variations, and random variances. When the various components of a time series are separated, the variation of a particular situation, the subject under study, can be known over the period of time and projection can be made about the future. A trend can be known over the period of time which may be true for the future also. However, time series analysis should be used as a basis for forecasting when data are available for a long period of time and tendencies disclosed by the trend and seasonal factors are fairly clear and stable.

**6. Regression Analysis:** Regression analysis is meant to disclose the relative movements of two or more inter-related series. It is used to estimate the changes in one variable as a result of specified changes in other variable or variables. In economic and business situations, a number of factors affect a business activity simultaneously. Regression analysis helps in isolating the effects of such factors to a great extent. For example, if we know that there is a positive relationship between advertising expenditure and volume of sales or between sales and profit, it is possible to have estimate of the sales on the basis of advertising, or of the profit on the basis of projected sales, provided other things remain the same.

**7. Input-Output Analysis:** According to this method, a forecast of output is based on given input if relationship between input and output is known. Similarly, input requirement can be forecast on the basis of final output with a given input-output relationship. The basis of this



technique is that the various sectors of economy are interrelated and such inter-relationships are well-established. For example, coal requirement of the country can be predicted on the basis of its usage rate in various sectors like industry, transport, household, etc. and how the various sectors behave in future. This technique yields sector-wise forecasts and is extensively used in forecasting business events as the data required for its application are easily obtained.

### **LIMITATIONS OF FORECASTING:**

For any course of action, there are some advantages and also some limitations. It applies to forecasting also. Although forecasting is an essential element in planning process, it is not only element. Limitations on forecasting are due to future uncertainties. If future is predicted accurately, managers can plan their activities for future without any difficulties. Therefore, it is essential that the managers should be aware of limitations forecasting:

- 1. Forecasting is based on some assumptions:** It assumes that events do not change rapidly or haphazardly but change on a regular pattern. These assumptions may not hold good for all conditions or situations.
- 2. Forecasts merely indicate the trend of future happening:** They are not always true. This is so because of the factors taken into account for making the forecast. These factors are affected by human who are highly unpredictable. Period of forecasting is also one of the factors affecting the forecast. Degree of error increases with increase in period of forecast.
- 3. Time and money factor:** Forecasting requires past data and information. The collection and proper arrangement of such information and data requires lot of time and money. Moreover, it requires lot of calculations and selection of proper calculation method which requires lot of manpower and money. Therefore, most of the smaller organisation does not go for formal system of forecasting.



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## PLANNING



### **Meaning:**

Planning is the first and foremost functions of Management. Planning (also called forethought) is the process of thinking about and organizing the activities required to achieve a desired goal.

Planning involves the creation and maintenance of a plan. As such, planning is a fundamental property of intelligent behavior. This thought process is essential to the creation and refinement of a plan, or integration of it with other plans; that is, it combines forecasting of developments with the preparation of scenarios of how to react to them.

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.

### **Definition**

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 OF PLANNING:** The nature of planning is given below:

1. **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.
2. **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.
3. **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 inter-connected. It is mixed in all managerial functions but there too it gets precedence. It thus gets primary everywhere.



4. **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.
5. **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."

**IMPORTANCE 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. Planning becomes necessary due to the following reasons:





- 1. 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.
- 2. 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.
- 3. 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.
- 4. 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.
- 5. 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.
- 6. 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.
- 7. 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.



**8. 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.

**9. 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.

**10. Delegation is Facilitated:** A good plan always facilitates delegation of authority in a better way to subordinates.

### **TYPES OF PLANS:**

Planning is a process and plan is its outcome. Plan is a sort of commitment to accomplish all the activities needed for the attainment of special results, from this point of view there are many plans. The following study will help in understanding different kinds of plans.

1. **Objectives:** objectives are those end points for the attainment of which all the activities are undertaken. **For example**, to improve the communication system to hold regular staff meeting and publish a newsletter.

2 **Strategies:** Strategies refer to those plans which are prepared in view of the move of the competitors and whose objective is to make possible the optimum utilization of resources.

3. **Policies:** Policies are those general statements which are decided for the guidance of the employees while taking decision. Their purpose is laying down a limit within which a particular work can be done or decision taken. Objectives decide what is to be achieved and the policies tell us how it can be achieved.

4. **Procedures:** Procedures are those plans which determine the sequence of any work performance. **For example**, the recovery of money from the debtors can be done in the following order: Writing letters, connecting on telephone, Meeting personally, and taking legal action. This is the procedure of collecting money from all the debtors. There is a difference between policies and procedures. There can be two policies of the organization regarding the recovery of money



from the debtors. (A) Tight collection policy, and (B) Lenient collection policy. Under the first policy an effort is made to recover money from debtors is by treating him harshly. Under the second policy the debtors will be given enough time for the payment of money while treating him leniently.

5. **Methods:** Methods are that plan which determines how different activities of the procedure are completed. Methods are not related to all steps but only to one step of the procedure. It is more detailed than procedure. There may be many methods to do a particular work. After extensive study, a method has to be selected from which a worker feels minimum fatigue, increase in productivity and there is reduction in costs.

6 **Rules:** Rules tell us what is to be done and what is not to be done in particular situation. In the absence of rules there is no need to take any decision. Whatever is said in the rules has to be followed without any thinking. **For example**, the rule “No smoking in the factory “is applicable to everybody and it must be observed. Provision for punishment in case of non-observing of the rule can also be made.

7. **Budget:** Budgets describe the desired results in numerical terms. A budget is that planning which provides detailers about estimated money, material time and other resources for the achievement of pre determined objectives of various departments. For example, the sales department’s budget gives estimated figures about the type of material that will be purchased, its quantity, the time of purchase and the amount to be spent on it. Similarly, budget of other departments are also prepared.

8. **Programmes:** A programme means a single-use comprehensive plan laying down the what, how who and when of accomplishing a specific job. Through program me the managers are informed in advance about various needs so that there is no problem in future. The programmers can be different types-production programme, Training programme Sales promotion programme management developing programme.etc.

## **PLANNING PROCESS:**

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:



**1. 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 objective, accomplishment of enterprise objective needs a concrete endeavour of all the departments.

**2. 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 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.

**3. 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.

**4. 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 involve 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.

**5. 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.



**6. 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.

**7. Establishing Sequence of Activities:** Timing is an 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 the 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 shaped be arranged carefully by giving priorities to some work in preference to others. Under sequence it should be decided as to who will don what and at what time.

**8. 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 plan current plan has become outdated or inoperative it should be replaced by another plan. A regular follow-up is necessary and desirable from 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.



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## DECISION MAKING

### **Definition:**

Decision making is defined as the process of choosing the best alternative among alternative courses of actions. Decision making involves a choice among alternatives.

### **Meaning of Rational Decision Making:**

A method for systematically selecting among possible choices that is based on reason and facts. In a rational decision making process, a business manager will often employ a series of analytical steps to review relevant facts, observations and possible outcomes before choosing a particular course of action.

#### Decision Making Under Different Conditions:

##### **1. Decision making under certainty:**

Certainty means all the facts are known for sure. If a decision is made under conditions of certainty, the manager knows precise outcome associated with each possible alternative or course of action. Under such conditions, there is perfect knowledge about alternatives and their consequences.

##### **2. Decision making under risk:**

A decision is made under conditions of risk when a single action may result in more than one potential outcome and the decision maker knows the probability of occurrence of each outcome.

##### **3. Decision making under uncertainty:**

A decision is made under conditions of uncertainty when a single action may result in more than one potential outcome and the decision makers do not know the probability of occurrence of each outcome.



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## **RATIONAL DECISION MAKING PROCESS:**

### **1. Identify a problem or opportunity**

- The first step is to recognize a problem or to see opportunities that may be worthwhile.
- Will it really make a difference to our customers?
- How worthwhile will it be to solve this problem or realize this opportunity?

### **2. Gather information**

- What is relevant and what is not relevant to the decision?
- What do you need to know before you can make a decision, or that will help you make the right one?
- Who knows, who can help, who has the power and influence to make this happen (or to stop it)?

### **3. Analyze the situation**

- What alternative courses of action may be available to you?
- What different interpretations of the data may be possible?

### **4. Develop options**

- Generate several possible options.
- Be creative and positive.
- Ask “what if” questions.
- How would you like your situation to be?

### **5. Evaluate alternatives**

- What criteria should you use to evaluate?
- Evaluate for feasibility, acceptability and desirability.



- Which alternative will best achieve your objectives?

## **6. Select a preferred alternative**

- Explore the provisional preferred alternative for future possible adverse consequences.
- What problems might it create?
- What are the risks of making this decision?

## **7. Act on the decision**

- Put a plan in place to implement the decision.
- Have you allocated resources to implement?
- Is the decision accepted and supported by colleagues?
- Are they committed to making the decision work?



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## MANAGEMENT BY OBJECTIVES (MBO)

**Management by objectives (MBO)**, also known as **management by results (MBR)**, is a process of defining objectives within an organization so that management and employees agree to the objectives and understand what they need to do in the organization in order to achieve them. The term "management by objectives" was first popularized by Peter Drucker in his 1954 book *The Practice of Management*. The essence of MBO is participative goal setting, choosing course of actions and decision making. An important part of the MBO is the measurement and the comparison of the employee's actual performance with the standards set. Ideally, when employees themselves have been involved with the goal setting and choosing the course of action to be followed by them, they are more likely to fulfil their responsibilities.

### **Definition:**

**Management by objectives (or MBO)** is a personnel management technique where managers and employees work together to set, record and monitor goals for a specific period of time. Organizational goals and planning flow top-down through the organization and are translated into personal goals for organizational members.

According to George S. Odiorne, the system of management by objectives can be described as a process whereby the superior and subordinate jointly identify its common goals, define each individual's major areas of responsibility in terms of the results expected of him, and use these measures as guides for operating the unit and assessing the contribution of each of its members.

### **ADVANTAGES OF MBO:**

1. **Clarity of goals:** With MBO came the concept of SMART goals i.e. goals that are: Specific, Measurable Achievable Realistic, and Time bound. The goals thus set are clear, motivating and there is a linkage between organizational goals and performance targets of the employees.
2. **Future oriented:** The focus is on future rather than on past. Goals and standards are set for the performance for the future with periodic reviews and feedback.



**3. Motivation:** Involving employees in the whole process of goal setting and increasing employee empowerment increases employee job satisfaction and commitment.

**4. Better communication and Coordination:** Frequent reviews and interactions between superiors and subordinates helps to maintain harmonious relationships within the enterprise and also solve many problems faced during the period. Each manager knows exactly what he has to do

**5. Sense of Responsibility:** Peter Drucker believed that the most effective way to give people a sense of responsibility for their working lives was to make them decide for themselves how to achieve their objectives.

**6. Target oriented:** The targets act as a control mechanism for the organisation. Everyone's performance can be judged against the targets.

**7. Delegation of Authority:** MBO ensures that employees in every department are all working towards common goals. MBO allows delegation to be achieved in a coordinated way.

### **Process of Management by Objectives (MBO)**

**1. Setting of Objectives:** The first step of MBO process is to establish verifiable objectives for the organization and for various positions at various levels. Without having a clear objective no group or individual can perform effectively or efficiently. One of the major criteria to set clear objectives is the scope of measuring it. Therefore, objectives should be set in such a way that they provide a clear direction to the people who have to contribute and perform for achievement of the same. It is always desirable to have a participatory approach to set objectives. However, management aspirations and expectations should be kept in view while adopting a participatory approach to set objectives. Setting precise, measurable, and well-defined objectives is indeed a difficult task. It requires an intelligent input from superiors and practice and team effort on the part of subordinates. Objectives should:

- ❖ Be verifiable;
- ❖ Indicate the time frame within which they are to be achieved;
- ❖ Indicate associated cost involved;
- ❖ Indicate quantity and quality aspects of the expected achievements;



- ❖ Help in promoting personal and professional growth and development;
- ❖ Get duly communicated to all who are concerned with it;
- ❖ Align short-term objectives to medium and long-term objectives; and
- ❖ Give due importance to the views of individuals expected to contribute in the achievement of objectives at the time of setting objectives.

2. **Key Result Areas:** Organisational objectives and planning premises together provide the basis for the identification of key-result areas. Key-result areas are derived from the expectations of the various stake holders and indicate priorities for organisational performance. They indicate top management perspectives for the future and the present state of health of the organisation. These are the areas in reference to which organisational health may be measured or appraised for example: (i) profitability, (ii) market standing, (iii) innovation, (iv) productivity, etc. These areas are not the same for every organisation. They differ from organisation to organisation, depending upon various internal and external environmental factors.

3. **Setting of Subordinates Objectives:** Organisational objectives are achieved through individuals. Therefore, every individual must know in advance what he is expected to achieve. Objectives for each subordinate should be set in consultation between that subordinate and his or her supervisor. A degree of recycling is required in setting of objectives. This means that a degree of interaction, consultation, and discussion among top level managers, departmental heads, superiors and subordinates is necessary. In such joint consultations, subordinates help managers develop realistic objectives since they know best what they are capable of achieving. Managers help subordinates "raise their sights" toward higher objectives by showing willingness to help them overcome obstacles and confidence in subordinates' abilities.

4. **Revision of Organizational Structure:** When the goals for each individual are reset under MBO there is a considerable change in the job description of various positions. This may call for a revision of the existing organization structure. The organization charts and manuals should be suitably amended to depict the change brought about by the introduction of management by objectives. The job description of various jobs must be defined with their objectives,



responsibilities, and authorities. They must clearly lay down the relationship with other job positions in the organization.

**5. Matching Objectives and Resources:** It should be noted that without a proper balance between the objectives and resources, the achievement of goals will be difficult. Hence, the superiors must ensure combination of goals with available resources. All managers at various levels require these resources to accomplish their goals. By relating these resources to the goals themselves, superiors can better see the most effective and most economical way of allocating them.

**6. Conducting Periodic Progress Reviews:** Management by objectives ensures periodic meetings between the superior and the subordinate to review the progress towards the goal attainment. For this the superior must establish check points or standards of performance for evaluating the progress of the subordinate. The reviews should be held monthly or quarterly. These reviews serve as a built-in feedback mechanism for an MBO system. Since individual or group goals are specifically defined, usually in quantifiable terms, employees can compare their progress at review time against the specified goals. This periodic check-up allows managers and employees to see whether they are on targets or whether some change is necessary. During the review, managers and employees decide what problems exist and what they can do to resolve them.

**7. Performance Appraisal:** While informal performance appraisal of a subordinate is done by his immediate superior almost every day, formal appraisal at periodic interval, usually once or twice a year, does ensure that a thorough evaluation of a manager's performance is done and his achievements are carefully analyzed against the background of prevailing circumstances and given objectives. The design and format of the performance review form will depend on the nature of the enterprise. Performance appraisal can serve three purposes:

- ❖ Feedback to employees concerning their actual performance;
- ❖ Provide the basis for identifying more effective job behaviour;



- ❖ Supply information to managers relevant to future job assignments and to compensation decisions.

8. **Feedback:** On the basis of overall evaluation, the feedback is provided to higher level of hierarchy. Feedback information helps in taking decisions to make necessary changes in MBO programme and to shape goals for the next year. The MBO cycle repeats itself on an annual basis.

### **Weaknesses and Criticism of MBO**

MBO is not a panacea, for organizational problems. Quite often many organizations look MBO as an instant solution to their problems. They fail to recognize that MBO demands careful planning and proper implementation. Many organizations have been overwhelmed by problems of MBO. Some of the problems are present in MBO system itself and others emerge due to wrong implementation. Some of the common problems of MBO are as follows:

1. **Incomplete Understanding of MBO Philosophy:** Managers involved in practicing MBO, sometimes do not understand as to what purpose it serves, how the objectives are set and performance is appraised, how the results will be analyzed and how the organisation will be benefited. Moreover, managers continue to think in their old way and do not appreciate this new philosophy. Hence they fail to teach the philosophy of MBO to their subordinates, as they lack initiative and fail to enthuse others to participate, thus MBO appears to be simple to teach but it is not so easy to put in practice.

2. **Poor Planning and Lack of Guidelines:** One of the major weaknesses often associated with MBO is poor planning of the programme prior to implementation. Implementers must know how to involve personnel at all levels of management and obtain their support. Like any other kind of planning, MBO cannot work if those who are expected to set goals are not provided any guidelines. They must know what the organisational objectives are and how can they fit themselves in them.



**3. Difficulty in Setting Objectives:** Objective setting is the prime step in MBO process. It requires verifiable objectives against which performance may be appraised. Setting of objectives is more difficult in some areas especially where they cannot be presented in quantitative form. In such cases, it becomes difficult to qualify the performance and compare that with the objectives. Effective goals setting requires proper study of human nature, behaviour and expectations to set attainable and reasonable objectives.

**4. Inflexibility:** Management by objectives may tend to introduce inflexibility in the organization. Since goals are set in every six months or one year, the superior may not like to modify them in between because of fear of resistance from the subordinates. Koontz and Weihrich state, "It is foolish and dangerous for a manager to strive for a goal that has been made obsolete by revised corporate objectives, changed premises, or modified policies."

**5. Increases Pressure and Frustration on the Subordinates:** According to some critics MBO actually increases pressure on the subordinates and sometimes, MBO creates frustration among managers. This is due to the reasons that (a) many organisations could not implement MBO properly and even the organisation is not able to work with its old system, and (b) introduction of MBO arouses high expectations in young managers. They are over-enthusiastic in making rapid change in terms of growth and profitability for organisation and career development for themselves. If rate of change is slower than the expected, then they feel frustrated.

**6. Short Term Nature of Goals:** In most MBO programmes, managers set goals for the short run usually for a year or even less. This is dangerous for the long term development of the organisation. It is also found that strategic goals are displaced by operational goals.

**7. Quantitative Bias:** In order to have verifiable and measurable goals, managers overuse quantitative goals and attempt to force the use of numbers in areas where they are not applicable. They may also downgrade important goals that are difficult to state in quantitative terms or end-results.



**8. Time Consuming:** A great deal of time to carefully set objectives at all levels of the organization is required in MBO. Initially to built confidence in subordinates in the 'new system' superiors may have to hold many meetings. The formal, periodic progress and final review sessions also consume time. So MBO is a time consuming process.

**9. Increases Paperwork:** MBO programmes introduce a tidal wave of newsletters, instruction booklets, training manuals, questionnaires, performance data, and reports into the organization. To know of what is going on in the organization, managers may demand regular reports and data in writing, thus MBO imposes burdensome paper work.

**10. Lack of Follow up:** Lack of follow-up by the superior at the appropriate time is another hurdle in the successful implementation of MBO. It is most easy to procrastinate. The superior must get to the subordinate at the appropriate time. The subordinate should be prepared to tell the boss exactly what has been accomplished and how.

#### **Other Weaknesses:**

- ❖ It can be used as a threat by overzealous managers. Managers turn MBO into a sham, and start playing games.
- ❖ The programme is used as a 'whip' to control employee performance.
- ❖ Top managers provide inadequate support.
- ❖ It leads to a tug-of-war in which the subordinate tries to set the lowest possible targets and superior the highest.

#### **Making MBO Effective:**

MBO should not be considered a panacea for an organization's planning, motivation, evaluation, and control needs. And it is certainly not a simple process that can be quickly and easily implemented. The following elements can help to make MBO effective:

**1. Formulate Clear Objectives:** Managers and subordinates must be satisfied that objectives are realistic and clearly understood, and that they will be used to evaluate performance. It may be



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necessary to train managers in the skills of setting useful, measurable goals and communicating them effectively.

**2. Encourage Active Participation in Goal Setting:** Managers must be willing to relinquish some direct control over their subordinates and encourage subordinates to take more active roles in defining and achieving their own objectives. Some managers are very uncomfortable with this seeming loss of power, but an MBO program can be effective only if they give up some control. There should be a face to face communication between the superior and subordinate in setting the goals, discussing the subordinate's problems and resetting the goals, and reviewing his performance. Thus, there must be an effective two-way communication in the organization.

**3. Support and Commitment of Top Management:** Initial acceptance and enthusiasm among employees for an MBO program may quickly disappear unless top management makes regular efforts to keep the system alive and fully functioning. The active participation of top management is essential for MBO implementation. If the top managers use the objective as an instrument for managing, this practice will also be followed down in the organization.

**4. Educate and Train Managers about MBO:** Managers must be adequately educated about the philosophy of MBO. They must be educated concerning the procedures and advantages of the system, the skills required, and the benefits MBO provides to the organization and their own careers. If managers remain resistant, an MBO program will not succeed. The personnel at all level should be imparted adequate training for the effective implementation of management by objectives programme.

**5. Make Feedback Effective:** An MBO system depends on participants who know where they stand in relation to their objectives. Every personnel should know or communicated, what he is to achieve and how well he is achieving them and 'where he stands' and 'where he is going' so that he may overcome shortcoming of his performance and may make necessary adjustments to achieve the desired results on his own. We can conclude that, setting goals is not a sufficient incentive; regular performance review and feedback of results are necessary.



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**6. Take Care of Necessary Mechanism:** MBO should not be implemented as an isolated programme. It must be integrated with all the organization programmes including human resource planning & development, product planning and development, production control, financial planning etc. It is always better to clarify responsibility and authority relationships so that everyone in the organization understands what is expected in the MBO system. The subordinates who have accepted the challenging assignments through discussion with the superior must be given adequate authority to accomplish their goals. MBO will not work if the manager is not willing to delegate sufficient authority to the subordinates.

In conclusion, we should know that MBO requires really hard work and patience on the part of managers. If the concept is implemented carefully and seriously, it will yield good results. Andrew Brown has pointed out that MBO will generate returns to managers and to their company in the form of

- ❖ Improved managerial performance;
- ❖ Concentration on wealth maximization;
- ❖ Improved morale and sense of purpose in personnel's;
- ❖ Easier recognition of management potential;
- ❖ More effective managerial development;
- ❖ Better delegation and communication

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## Unit – II

*Concept of organisation – Authority and Responsibility – Delegation of authority – Centralization and Decentralization – Departmentation – Span of Management – Forms of organisation: Line, Line and staff and Functional – Steps in staffing.*



### Concept of organisation

Organisation involves division of work among people whose efforts must be coordinated to achieve specific objectives and to implement pre-determined strategies. Organisation is the foundation upon which the whole structure of management is built. It is the backbone of management. After the objectives of an enterprise are determined and the plan is prepared, the next step in the management process is to organize the activities of the enterprise to execute the plan and to attain the objectives of the enterprise. The term organisation is given a variety of interpretations. In any case, there are two broad ways in which the term is used. In the first sense, organisation is understood as a dynamic process and a managerial activity which is necessary for bringing people together and tying them together in the pursuit of common objectives. When used in the other sense, organisation refers to the structure of relationships among positions and jobs which is built up for the realization of common objectives. Without organizing managers cannot function as managers. Organisation is concerned with the building, developing and maintaining of a structure of working relationships in order to accomplish the objectives of the enterprise. Organisation means the determination and assignment of duties to people, and also the establishment and the maintenance of authority relationships among these grouped activities. It is the structural framework within which the various efforts are coordinated and related to each other. Sound organisation contributes greatly to the continuity and success of the enterprise. The distinguished industrialist of America, Andrew Carnegie has shown his confidence in organisation by stating that: "Take away our factories, take away our trade, our avenues of transportation, our money, leave nothing but our organisation, and in four years we shall have re-established ourselves." That shows the significance of managerial skills and organisation.



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However, good organisation structure does not by itself produce good performance. But a poor organisation structure makes good performance impossible, no matter how good the individual may be.

### **Organization: Meaning**

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.

### **Organization: Definitions**

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

In the words of Theo Haimann, "Organising is the process of defining and grouping the activities of the enterprise and establishing the authority relationships among them. In performing the organising function, the manager defines, departmentalises and assigns activities so that they can be most effectively executed."

In the words of Mooney and Railey, "Organisation is the form of every human association for the attainment of a common purpose."

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



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## AUTHORITY

Authority is the right to do something.

### CONCEPT OF AUTHORITY:

Since authority is the crux in distribution of authority. It would be necessary to understand what the authority is. Authority is the right to do something. Authority is the power legitimized by organisation which empowers a manager to make decisions, to use organizational resources, and to monitor and regulate the behaviour of subordinates for the efficient performance of assigned work responsibilities. Authority (right do something) is different from power (ability to do something). Authority is positional, but power may not be positional. Authority has the legal power, but power is because of personal influence and resource fullness. Authority always moves downward, but power can move in any direction. Authority can be delegated, but not power. Authority commands fear but power commands respect.

### CHARACTERISTICS OF AUTHORITY:

- It is the right given to the managers.
- The right is vested in position and the manger gets it when he occupies the position.
- Authority originates at the top and moves downward.
- Authority can be delegated by a superior to his subordinate.
- Authority creates superior – subordinate relationship.
- Manager exercises authority to influence subordinates' behaviour so as to get the things done.

### TYPES OF AUTHORITY:

**1. Line, staff and functional Authorities:** Line authority contributes directly to attain the goals of an organisation. Staff authority does not form part of the chain of command and is advisory in nature. Functional authority is the right to give orders within specific task areas and is operational only for designated amount of time.



**2. Shared Authority and wholesome Authority:** When authority is delegated to two or more persons to solve a common problem, it is called shared authority. Wholesome authority means giving authority to one person only to solve the problem.

**3. General and specific Authority:** When the authority to perform all the functions in this department or division subject to overall guidance and control of the superior (like chief Marketing officer in the Marketing department), it is known as general authority. Under a specific authority, a person is given authority regarding specific function or functions. Specific delegation is functional in nature and is precise.

**4. Formal and informal:** When the authority is delegated according to organisation structure, it is known as formal delegation. A salesman being granted authority to give cash discount of 5% on sales by the sales manager is formal authority. Informal authority is given to short circuit the formal procedure to perform the task quickly.

**5. Charismatic Authority and Positional Authority:** When the rights and power come through the charm and influence of one's personality (like Mahatma Gandhi and Napoleon) it is known as charismatic authority. When the authority is acquired because one is appointed as a manager, it is positional authority.

**6. Written and oral Authority:** When the authority is granted in writing it may be called legal or written authority. Oral authority is known as traditional authority guided by traditions and customs.

**7. Downward and sideward Authority:** When authority is granted to immediate subordinate it is referred to as downward delegation. If the authority is given to another official of the same rank, it is known as sideward authority or delegation of authority.

## DELEGATION OF AUTHORITY

**CONCEPT OF DELEGATION OF AUTHORITY:** In practice the term delegation is in use for different activities. It is a programming technique, a TV quiz show (in Ireland), a term in



contract law (giving another person responsibility to carry out the performance agreed to in a contract), a name of a British funk musical band, and a second level administrative subdivision of a country (Delegation of Tunisia).

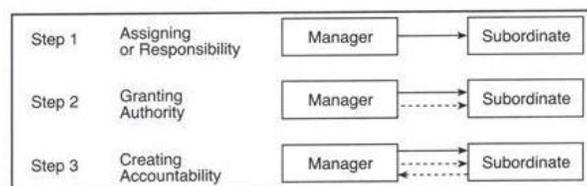
### **DEFINITION OF DELEGATION OF AUTHORITY:**

“Delegation is the process by which a manager assigns or entrusts a part of his/her workload to his/her subordinates”.

### **PROCESS / ELEMENTS / STEPS OF DELEGATION OF AUTHORITY:**

It involves three steps apart from sizing-up of workload by the manager to decide what is to be assigned to subordinates.

- First, the manager assigns the responsibility or work to subordinate to do.
- Second, to complete this assignment he grants necessary authority (like to spend money to get information from confidential files, to use company’s resources, to liaise with outsiders, to direct others, etc).
- Finally, accountability of the subordinate is created towards the manager. Accountability is an obligation of subordinate to a manager for the use of authority and performance of assigned work.



### **CHARACTERISTICS OF DELEGATION OF AUTHORITY:**

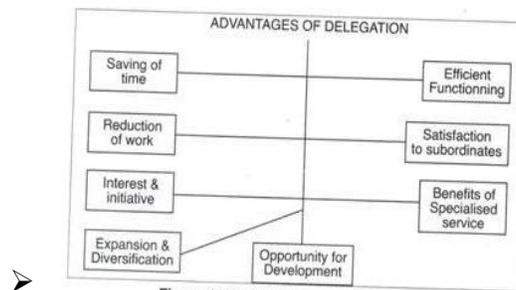
- It involves transfer not surrendering of authority.
- It is a process of sharing work, granting authority and creating accountability.
- Delegation takes place at all the levels, where superior – subordinate relationship exists.



- Delegation is possible only when the delegator has the authority.
- No delegate is permitted to delegate the granted authority' further.
- A manger never gets total authority delegated; otherwise he won't be a manger any more.
- Delegation is not abdication, ultimately the responsibility for proper discharge of authority and completion of task remains of the manager or delegator.
- Authority once delegated can be withdrawn or revoked by the delegator.

### **NEED / IMPORTANCE / REASONS OF DELEGATION OF AUTHORITY:**

1. **Higher Efficiency:** A superior being able to concentrate on non-routine jobs (delegated to subordinates) multiplies his/her efficiency.
2. **Motivation:** Delegation indicates confidence of manager, the subordinate feels self-importance, recognition, etc. he feels motivated.
3. **Develops subordinates:** Making decisions and solving problems enables them to develop their managerial skills.
4. **Better Distribution of work in the Group:** Every employee gets adequate authority to act, it also leads to prompt decision making.
5. **Foundation of Decentralization:**The delegation may be made permanent, only if it works well temporarily, in the organisation chart.



### **PROBLEMS IN EFFECTIVE DELEGATION OF AUTHORITY:**

1. **Problems with Superiors:** The superiors may be reluctant to delegate because of:
  - (i) Being disorganized cannot plan what to delegate;
  - (ii) I can do it better myself;



- (iii) No trust and confidence in subordinate's ability; and
- (iv) Threat to his position, if subordinate does it better than him.

**2. Problems with the Subordinates:** Subordinates do not accept responsibility because of:

- i. Love of spoon feeding
- ii. Habit of over dependence on the superior (asking a boss all the time);
- iii. Fear of failure and consequent reprimand or criticism;
- iv. Absence of reward for accepting additional responsibility;
- v. Being already overburdened with his own work; and
- vi. Lack of commensurate authority required.

**3. Problems with the organisation:** Organisations also impede the delegation of authority because

- (i) There is no precedent of delegation so far;
- (ii) Management believes in a centralised organisation philosophy; and
- (iii) The size of business is very small

## **HOW TO MAKE DELEGATION OF AUTHORITY EFFECTIVE?**

- (i) Identify the person suitable for the job (being capable for creating mutual trust and confidence)
- (ii) Explain the job and the objectives clearly (Principle of functional definition and principle to limits of authority)
- (iii) Leave space for experimentation and creativity (Principle of individual initiative)
- (iv) Grant the necessary authority (Principle of delegation to be consistent with results expected and principle of parity of authority and responsibility)
- (v) Keep in touch with the delegate for support and monitoring progress (Communication, training and control)
- (vi) Acknowledge a job done well (Principle of reward – Promote the person doing job better than you)
- (vii) Instill the confidence among subordinates (Those who do, only commit mistakes).

## **CENTRALIZATION AND DECENTRALIZATION OF AUTHORITY:**



While delegation is concerned with one to one relationship, the pattern of authority across the different positions and departments is related to centralization – decentralization procures. It should be very clear that centralization of activities and centralization of authority are two different concepts. Also important to note is that on the delegation continuum centralization and decentralizations are the two ends.

There is no question of absoluteness of any of the two. If there is 100% centralization, then it must be only one-man organisation and it is beyond our study ; and if there is total decentralization, it would be anarchy and again beyond the realm of our study. The conclusion is that the two go together and are relative.

### **CONCEPT OF CENTRALISATION:**

Centralization means a conscious and systematic process of retention of authority in the hands of top-level managers.

### **ADVANTAGES CENTRALIZATION:**

- Facilitates coordination as all the decisions are taken at one central point.
- There is no duplication of efforts and resources and centralization helps in maintaining confidentiality.
- Decisions are consistent, because they are made by same set of people each line.
- Top management while deciding, keeps the balance among functions and departments.

### **DISADVANTAGES OF CENTRALISATION:**

- Decreases efficiency as top management is generally removed from the facts and realities of the actual situations.
- Middle and lower level managers feel frustrated and hesitant to take any initiative.
- Concentration of authority is always fraught with misuse of authority for personal gains.
- In case of death, leaving the organisation, organizational growth is hampered as there is no immediate replacement.



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## **CONCEPT OF DECENTRALISATION:**

Decentralization is a conscious process of systematic distribution of authority by the top management down the line to create operative levels and to make them autonomous in their functioning. In a highly decentralized organisation, the top management restricts itself to major decisions in areas like policy making, coordination and control. The lower level managers have enough decision making authority and support to introduce innovativeness in their work.

## **CHARACTERISTICS OF DECENTRALIZATION OF AUTHORITY:**

1. Decentralization is both a philosophy of management (to prepare inside people for future positions) and a technique of organizing (creating number of centres of initiative).

2. Decentralization of authority is different from dispersal of activities (dispersal of activities in different geographies is a strategic decision; decentralization is concerned with distribution of authority, not the activities).

3. Decentralization is extension of Delegation: There may be delegation without decentralization, but no decentralization is possible without delegation.

4. Degree of decentralization can be measured through number of decisions, more important decisions, the scope of decisions, and lesser the controls on lower-level managers. The decision making would be situated nearer to the point of execution.

5. Decentralization is just opposite to centralization but centralization and decentralization are mutually dependent in a large organisation.

## **NEED / ADVANTAGES / IMPORTANCE / OF DECENTRALIZATION:**

- Improves decision making at the top level to low level.
- Development of managerial personnel through exposure which provides the opportunity to grow.
- Increases motivation and morale which is reflected in performance.



- Quicker and better decisions, since decisions are not to be refreshed.
- Creates healthy competition between different autonomous operative levels.

### **PROBLEMS / DRAWBACKS / LIMITATIONS OF DECENTRALIZATION:**

- Problem of coordination because of independent work units.
- Increased operating cost due to duplication of management functions in each unit.
- Increases motivation and morale which is reflected in performance.
- Quicker and better decisions, since decisions are not to be refreshed.
- Creates healthy competition between different autonomous operative levels.

### **Problems / Drawbacks / Limitations of Decentralization:**

- Problem of coordination because of independent work units.
- Increased operating cost due to duplication of management functions in each unit.
- It may lead to inconsistencies as uniform policies may not be followed for same type of work in different divisions.
- Introduction in small concerns may not be practicable.
- During a crisis decentralization creates its own problems.
- Managers, having worked in centralised systems, find uncomfortable to work in a more decentralized form.

### **FACTORS INFLUENCING CENTRALIZATION AND DECENTRALIZATION:**

Different factors / situations lead toward more of the two as given in Table.

<b>Basis</b>	<b>More Centralization</b>	<b>More Decentralization</b>
Capability and Experience	Lower level managers not capable as top level managers	Lower level managers capable & experienced to take decisions
Voice in Decisions	Lower management does not want to take decisions	Lower level management wants a voice in decisions



Importance of Decisions	Significant like investment and strategies.	Relatively minor decisions
Crisis	Suitable for facing crisis or risk	Corporate culture is open
Geographic Dispersion	Not visible	Yes, freedom is allowed to local units
Size and complexity of organisation	Smaller the size more the centralization	Larger the size greater the degree of decentralization
Management Attitude	Conservative	Progressive
Environment	It is less volatile	Is complex and uncertain

### **DIFFERENTIATING BETWEEN DELEGATION AND DECENTRALIZATION:**

So far that delegation is the beginning and decentralization is the next move in organizing. But the two have much dissimilarity, which have been shown in Table.

<b>Basis</b>	<b>Delegation</b>	<b>Decentralization</b>
Nature	Individual, one to one	Totalistic, top management to last but one point
Scope	Creates superior-subordinate relationships	Creates operative departments
Compulsion	Compulsory	Not compulsory



Purpose	Multiplication of manger	Increase subordinate role in the organisation
Withdrawal of Authority	Easy	Difficult
Suitability	All organisations	Suitable for big organisation
Responsibility	Cannot be delegated	Responsibility is delegated
Operational Autonomy	Does not grant operational autonomy to subordinates	Implies creating operative units with autonomy to them
Importance	Delegation does not require decentralization	Decentralization is sought through delegation

### **DEPARTMENTATION**

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

#### **KEY FACTORS IN DEPARTMENTATION:**

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



**DEPARTMENTATION BY DIFFERENT STRATEGIES:** Departmentation takes place in various patterns like departmentation by functions, products, customers, geographic location, process, and its combinations.

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



**Advantages:**

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

**Disadvantages:**

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

**B) Product Departmentation:** Product departmentation is the process of grouping activities by product line. Tasks can also be grouped according to a specific product or service, thus



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



#### **Advantages:**

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

#### **Disadvantages:**

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

**C) Customer Departmentation:** Customer departmentation is the process of grouping activities on the basis of common customers or types of customers. Jobs may be grouped



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



#### **Advantages:**

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

#### **Disadvantages:**

- Sales being the exclusive field of its application, co-ordination may appear difficult between sales function and other enterprise functions.
- Specialized sales staff may become idle with the downward movement of sales to any specified group of customers.

**D) Geographic Departmentation:** Geographic departmentation is the process of grouping activities on the basis of territory. If an organization's customers are geographically dispersed, it can group jobs based on geography. For example, the organization structure of Coca-Cola Ltd has reflected the company's operation in various geographic areas such as



Central North American group, Western North American group, Eastern North American group and European group



#### **Advantages:**

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

#### **Disadvantages:**

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

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



### **Advantages:**

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

### **Disadvantages:**

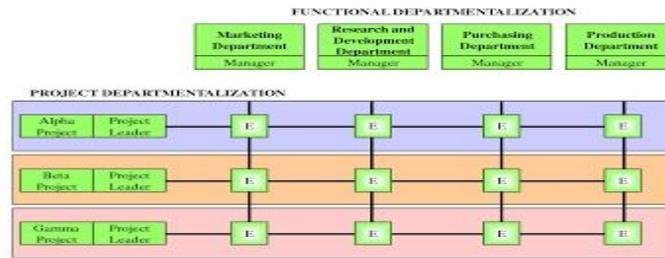
- Conflict in organization authority exists.
- Possibility of disunity of command.
- Requires managers effective in human relation

**F) Matrix Departmentation:** In actual practice, no single pattern of grouping activities is applied in the organization structure with all its levels. Different bases are used in different segments of the enterprise. Composite or hybrid method forms the common basis for classifying activities rather than one particular method, one of the mixed forms of organization is referred to as matrix or grid organization's According to the situations, the patterns of Organizing varies from case to case. The form of structure must reflect the tasks, goals and technology if the originations the type of people employed and the environmental conditions that it faces. It is not unusual to see firms that utilize the function and project organization combination.

The same is true for process and project as well as other combinations. For instance, a large hospital could have an accounting department, surgery department, marketing department, and a satellite center project team that make up its organizational structure.



## A Matrix Design



### Advantages:

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

### Disadvantages

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

## SPAN OF MANAGEMENT

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

### FACTORS AFFECTING SPAN OF MANAGEMENT:

a) **Capacity of Superior:** Different ability and capacity of leadership, communication affects management of subordinates.

b) **Capacity of Subordinates:** An efficient and trained subordinate affects the degree of span of management.



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

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

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

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

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

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

**TYPES OF SPAN OF CONTROL:** Span of control is of two types:

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

**Advantages:**

- Close supervision
- Close control of subordinates
- Fast communication

**Disadvantages:**

- Too much control and high costs.



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

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

**Advantages:**

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

**Disadvantages:**

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

**FORMS OF ORGANISATION:**

Organisation requires the creation of structural relationship among different departments and the individuals working there for the accomplishment of desired goals. Organisation structure is primarily concerned with the allocation of tasks and delegation of authority. The establishment of formal relationships among the individuals working in the organisation is very important to make clear the lines of authority in the organisation and to coordinate the efforts of different individuals in an efficient manner. According to the different practices of distributing authority and responsibility among the members of the enterprise, several types of organisation structure have been evolved. They are:

**1. Line organisation,**



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2. Line and Staff organisation,

3. Functional organisation and

4. Committee organisation

**1. Line Organisation:** This is the simplest and the earliest form of organisation. It is also known as "Military", "traditional", "Scalar" or "Hierarchical" form of organisation. The line organisation represents the structure in a direct vertical relationship through which authority flows. Under this, the line of authority flows vertically downward from top to bottom throughout the organisation. The quantum of authority is highest at the top and reduces at each successive level down the hierarchy. All major decisions and orders are made by the executives at the top and are handed down to their immediate subordinates who in turn break up the orders into specific instructions for the purpose of their execution by another set of subordinates. A direct relationship of authority and responsibility is thus established between the superior and subordinate. The superior exercises a direct authority over his subordinates who become entirely responsible for their performance to their commanding superior. Thus, in the line organisation, the line of authority consists of an uninterrupted series of authority steps and forms a hierarchical arrangement. The line of authority not only becomes the avenue of command to operating personnel, but also provides the channel of communication, coordination and accountability in the organisation.

#### **Advantages or merits of line organisation**

1. It is the easiest to establish and simplest to explain to the employers.
2. It fixes responsibility for the performance of tasks in a definite manner upon certain individuals.
3. There is clear-cut identification of authority and responsibility relationship. Employees are fully aware of the boundaries of their job.
4. It is most economical and effective.
5. It makes for unity of control thus conforming to the scalar principle of organisation.



6. It ensures excellent discipline in the enterprise because every individual knows to whom he is responsible. The subordinates are also aware of the necessity of satisfying their superior in their own interests.
7. It facilitates prompt decision-making because there is definite authority at every level.
8. As all the activities relating to one department or division are managed by one executive, there can be effective coordination of activities.
9. This system is flexible or elastic, in the sense that, as each executive has sole responsibility in his own position and sphere of work, he can easily adjust the organisation to changing conditions.
10. Under this system, responsibility and authority are clearly defined. Every member of the organisation knows his exact position, to whom he is responsible and who are responsible to him. Because of the clear fixation of responsibility, no person can escape from his liability.

#### **Disadvantages or demerits of line organisation**

1. With growth, the line organisation makes the superiors too overloaded with work. Since all work is done according to the wishes of one person alone, the efficiency of the whole department will come to depend upon the qualities of management displayed by the head of that department. If therefore, something happens to an efficient manager, the future of the department and of the concern as a whole would be in jeopardy.
2. Being an autocratic system, it may be operated on an arbitrary, opinionated and dictatorial basis.
3. Under this system, the subordinates should follow the orders of their superior without expression their opinion on the orders. That means there is limited communication.
4. There may be a good deal of nepotism and favoritism. This may result in efficient people being left behind and inefficient people getting the higher and better posts.
5. The line organisation suffers from lack of specialised skill of experts. Modern business is so complex that it is extremely difficult for one person to carry in his head all the necessary details about his work in this department.



6. Line organisation is not suitable to big organisations because it does not provide specialists in the structure. Many jobs require specialized knowledge to perform them.
7. If superiors take a wrong decision, it would be carried out without anybody having the courage to point out its deficiencies.
8. The organisation is rigid and inflexible.
9. There is concentration of authority at the top. If the top executives are not capable, the enterprise will not be successful.

Prof. Florence, sums up the inefficiencies of the line organisation system under three heads-"(i) Failure to get correct information and to act upon it; (ii) red-tape and bureaucracy; (iii) Lack of specialized skill or experts... while commands go down the line under the hierarchical system information is supposed to be coming up the line." In spite of these drawbacks, the line organisation structure is very popular particularly in small organisations where there are less number of levels of authority and a small number of people.

**2. Line and Staff Organisation:** In line and staff organisation, the line authority remains the same as it does in the line organisation. Authority flows from top to bottom. The main difference is that specialists are attached to line managers to advise them on important matters. These specialists stand ready with their specialty to serve line managers as and when their services are called for, to collect information and to give help which will enable the line officials to carry out their activities better. The staff officers do not have any power of command in the organisation as they are employed to provide expert advice to the line officers. The combination of line organisation with this expert staff constitutes the type of organisation known as line and staff organisation. The 'line' maintains discipline and stability; the 'staff' provides expert information. The line gets out the production, the staffs carries on the research, planning, scheduling, establishing of standards and recording of performance. The authority by which the staff performs these functions is delegated by the line and the performance must be acceptable to the line before action is taken. The following figure depicts the line and staff organisation:

### **Types of Staff:**



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

1. **Personal Staff:** Here the staff official is attached as a personal assistant or adviser to the line manager. For example – Assistant to managing director.
2. **Specialized Staff:** Such staff acts as the fountainhead of expertise in specialized areas like R&D, personnel, accounting etc. For example-R & D Staff
3. **General Staff:** This category of staff consists of a set of experts in different areas who are meant to advise and assist the top management on matters called for expertise. For example — Financial advisor, technical advisor etc.

**Features of line and staff organisation:**

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

**Advantages or merits of line and staff organisation:**

1. It brings expert knowledge to bear upon management and operating problems. Thus, the line managers get the benefit of specialized knowledge of staff specialists at various levels.
2. The expert advice and guidance given by the staff officers to the line officers benefit the entire organisation.
3. As the staff officers look after the detailed analysis of each important managerial activity, it relieves the line managers of the botheration of concentrating on specialized functions.
4. Staff specialists help the line managers in taking better decisions by providing expert advice. Therefore, there will be sound managerial decisions under this system.
5. It makes possible the principle of undivided responsibility and authority, and at the same time permits staff specialization. Thus, the organisation takes advantage of functional organisation while maintaining the unity of command.



6. It is based upon planned specialization.
7. Line and staff organisation has greater flexibility, in the sense that new specialized activities can be added to the line activities without disturbing the line procedure.

**Disadvantages or demerits of line and staff organisation:**

1. There is generally a conflict between the line and staff executives. The line managers feel that staff specialists do not always give right type of advice, and staff officials generally complain that their advice is not properly attended to.
2. Unless the duties and responsibilities of the staff members are clearly indicated by charts and manuals, there may be considerable confusion throughout the organisation as to the functions and positions of staff members with relation to the line supervisors.
3. Line managers sometimes may resent the activities of staff members, feeling that prestige and influence of line managers suffer from the presence of the specialists.
4. The staff experts may be ineffective because they do not get the authority to implement their recommendations.
5. This type of organisation requires the appointment of large number of staff officers or experts in addition to the line officers. As a result, this system becomes quite expensive.
6. Although expert information and advice are available, they reach the workers through the officers and thus run the risk of misunderstanding and misinterpretation.
7. Since staff managers are not accountable for the results, they may not be performing their duties well.
8. Line managers deal with problems in a more practical manner. But staff officials who are specialists in their fields tend to be more theoretical. This may hamper coordination in the organisation.

**3. Functional Organisation:** The difficulty of the line organisation in securing suitable chief executive was overcome by F. W. Taylor who formulated the Functional type of organisation. As the name implies, the whole task of management and direction of subordinates should be divided according to the type of work involved. As far as the workman was concerned, instead of coming in contact with the management at one point only, he was to receive his daily orders and help



directly from eight different bosses; four of these were located in the planning room and four in the shop.

The specialists or bosses in the planning room and shop level are:

1. **The Route Clerk:** To lay down the sequence of operations and instruct the workers concerned about it.
2. **The Instruction Card Clerk:** To prepare detailed instructions regarding different aspects of work.
3. **The Time and Cost Clerk:** To send all information relating to their pay to the workers and to secure proper returns of work from them.
4. **The Shop Disciplinarian:** To deal with cases of breach of discipline and absenteeism.
5. **The Gang Boss:** To assemble and set up tools and machines and to teach the workers to make all their personal motions in the quickest and best way.
6. **The Speed Boss:** To ensure that machines are run at their best speeds and proper tools are used by the workers.
7. **The Repair Boss:** To ensure that each worker keeps his machine in good order and maintains cleanliness around him and his machines.
8. **The Inspector:** To show to the worker how to do the work.

It was F. W. Taylor who evolved functional organisation for planning and controlling manufacturing operations on the basis of specialization. But in practice, fictionalization is restricted to the top of the organisation as recommended by Taylor.

**Features of functional organisation:** The features of functional organisation are as follows:

1. The work of the enterprise is divided into different functional departments and the different functional departments are placed under different specialists.
2. The functional specialist has the authority or right to give orders regarding his function whosoever that function is performed in the enterprise.
3. Under this system, the workers have to receive instructions from different specialists.



4. If anybody in the enterprise has to take any decision relating to a particular function, it has to be in consultation with the functional specialist.
5. Under this system, the workers have to perform a limited number of functions.

**Advantages of functional organisation:**

1. Functional organisation is based on expert knowledge. Every functionary in charge is an expert in his area and can help the subordinates in better performance in his area.
2. Division of labour is planned not incidental.
3. As there is not scope for one-man control in this form of organisation, this system ensures co-operation and teamwork among the workers.
4. This system ensures the separation of mental functions from manual functions.
5. It helps mass production by standardization and specialization.
6. This system ensures maximum use of the principle of specialization at every work point.
7. As there is joint supervision in the organisation, functional organisation reduces the burden on the top executives.
8. Functional organisation offers a greater scope for expansion as compared to line organisation. It does not face the problem of limited capabilities of a few line managers.
9. The expert knowledge of the functional managers facilitates better control and supervision in the organisation.

**Disadvantages or demerits of Functional organisation:**

1. It is unstable because it weakens the disciplinary controls, by making the workers work under several different bosses. Thus, functional organisation violates the principle of unity of command.
2. Under this type of organisation, there are many foremen of equal rank. This may lead to conflicts among them.
3. The co-coordinating influence needed to ensure a smoothly functioning organisation may involve heavy overhead expenses.
4. The inability to locate and fix responsibility may seriously affect the discipline and morale of the workers through apparent or actual contradiction of the orders.



5. This system is very costly as a large number of specialists are required to be appointed. A functional manager tends to create boundaries around him and think only in term of his own department rather than of the whole enterprise. This results in loss of overall perspective in dealing with business problems.
6. It is difficult for the management to fix responsibility for unsatisfactory results.

**4. Committee Organisation:** Committee organisation as a method of managerial control has very little practical importance, because it is managed by a senior member of the committee only. But the committee organisations are widely used for the purpose of discharging advisory functions of the management. Committees are usually relatively formal bodies with a definite structure. They have their own organisation. To them are entrusted definite responsibility and authority.

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

According to Louis A Allen, "A committee is a body of persons appointed or elected to meet on an organized basis for the consideration of matters brought before it."

A committee may formulate plans, make policy decisions or review the performance of certain units. In some cases, it may only have the power to make recommendations to a designated official. Whatever may be the scope of their activities, committees have come to be recognized as an important instrument in the modern business as well as non-business organisations.

#### **Objectives of committees:**

Committees are constituted to achieve one or more of the following objectives:

1. To have consultations with various persons to secure their view-points
2. To give participation to various groups of people
3. To secure cooperation of different departments



4. To coordinate the functioning of different departments and individuals by bringing about unity of directions.

### **Types of committees**

1. **Line committee:** If a committee is vested with the authority and responsibility to decide and whose decisions are implemented, it is known as line committee.
2. **Staff committee:** If a committee is appointed merely to counsel and advise, it is known as a staff committee.
3. **Formal committee:** When a committee is constituted as a part of the organisation structure and has clear-cut jurisdiction, it is a formal committee.
4. **Informal committee:** An informal committee is formed to advice on certain complicated matters. It does not form part of the organisation structure.
5. **Coordinating committee:** It is constituted to coordinate the functioning of different departments.
6. **Executive committee:** It is a committee which has power to administer the affairs of the business.
7. **Standing committee:** are formal committees that are of permanent character.
8. **Ad hoc committee:** They are temporary bodies. It is appointed to deal with some special problem and stops functioning after its job are over.

### **Advantages or merits of committee type of organisation:**

1. A committee is an effective method of bringing the collective knowledge and experience of a number of persons. Therefore, many multi-dimensional and complex problems of modern enterprises, which cannot be solved satisfactorily by individual managers, can be solved by committees.
2. Committees offer scope for group deliberations and group judgment. Results obtained by group deliberation and group judgment are likely to be better than those obtained by individual judgment.



3. When it is necessary to integrate varying points of view, which cannot conveniently be coordinated by individuals, the committee may be used to bring about coordination.
4. The management can give representation to the employees in various committees. This will motivate the employees for better performance as they feel that they have a say in the affairs of the organisation.
5. A committee form of organisation facilitates pooling of authority of individual managers for making some type of decisions of an inter-departmental nature.
6. A committee form of organisation tends to promote organizational cohesiveness. Group endeavour, team spirit and collective responsibility are control to the philosophy of committees.

### **Disadvantages of committee type of organisation**

- (a) If a manager has an opportunity to carry a problem to a committee, he may take it as a means of avoiding decision-making or to escape the consequences of an unpopular decision.
- (b) Sometimes, a committee may not be able to take the needed decision because of the conflicting views of the members.
- (c) Committees take more time in procedural matters before any decision is taken. In some cases, slowness seriously handicaps the administration of the organisation.
- (d) Committees are an expensive device both in terms of cost and time.
- (e) When the committee findings represent a compromise of different viewpoints, they may be found to be weak and indecisive.
- (f) No member of a committee can be individually held responsible for the wrong decision taken by the committee.
- (g) It is very difficult to maintain secrecy regarding the deliberations and the decisions taken by a committee, especially when there are many members in the committee.



## STAFFING:

**Meaning of Staffing:** The term ‘Staffing’ relates to the recruitment, selection, development, training and compensation of the managerial personnel. Staffing, like all other managerial functions, is the duty which the apex management performs at all times. In a newly created enterprise, the staffing would come as a third step—next to planning and organizing—but in a going enterprise the staffing process is continuous. In order to define and clarify the group of employees included in the staffing concept, it must be stated that the staffing function is concerned with the placement, growth and development of all of those members of the organization whose function it is to get things done through one effort of other individuals.

**Definition of Staffing:** “The managerial function of staffing involves manning the organisational structure through effective and proper selection, appraisal, and development of personnel to fill the roles designed into the structure.” — Koontz and O’Donnell

**Steps in Staffing:** Staffing is referred as both line as well as a staff activity. It is referred as line activity because like other functions such as planning, organizing, directing, controlling, staffing is also performed by every manager. It is a staff activity because it is an important area of management also like marketing management, financial management, we have human resource management department also in large organisations. Some of the important steps involved in staffing process are as follows:



**1. Estimating manpower requirement:** Staffing process begins with the estimation of manpower requirement which means finding out number and type of employees needed by the organisation in near future. Manpower requirement is not only to find out number of people



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needed but also the type of people. Type means what should be the qualification educational background of the people whom we need to appoint. While assessing the type of manpower required company should also make policy regarding number of people to be appointed from backward classes, women force, minority, etc. For estimating manpower Requirement Company will take following three steps:

**i) Workload Analysis:** This requires finding number and type of employees required to perform various jobs designed in organizational structure.

**ii) Workforce Analysis:** It means analyzing existing workforce or employees already occupying the job positions and how many of them are overburdened or under burdened.

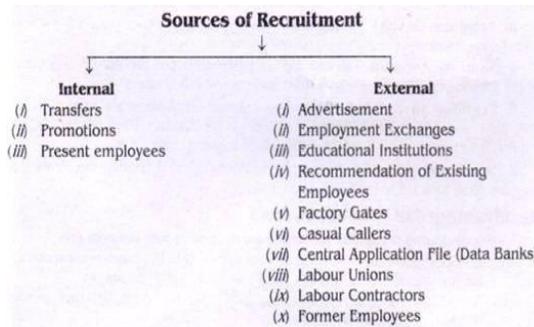
**iii) Comparison:** After doing work load analysis and workforce analysis, the manager compares both as excess of work load over workforce indicated under staffing and you need to appoint more people whereas excess of workforce over work load indicated over staffing and you need to remove or transfer some employees elsewhere. As both overstaffing as well as understaffing are undesirable. The manager tries to find out the manpower requirement by equating workload analysis to workforce analysis.

**2. Recruitment:** It refers to the process of inducing the people to apply for the job in the organisation. After assessing the number and type of employee required, the manager tries that more and more people should apply for the job so that the organisation can get more choice and select better candidates. If we can fulfill the requirement from inside the organisation through transfers and promotion, then it is very economical and fast but generally organisation has to fulfill its requirement from outside the organisation. To recruit people from outside the organisations contact various placement consultants, employment exchanges, contractors etc. but the most common way to recruit fresh talent is through advertisement. Company advertises in newspapers etc. and many job seekers after reading the advertisement applies for the job.

**Sources of Recruitment of Employees:** The searching of suitable candidates and informing them about the openings in the enterprise is the most important aspect of recruitment process.



The candidates may be available inside or outside the organisation. Basically, there are two sources of recruitment i.e., internal and external sources.



**(A) Internal Sources:** Best employees can be found within the organization. When a vacancy arises in the organisation, it may be given to an employee who is already on the pay-roll. Internal sources include promotion, transfer and in certain cases demotion. When a higher post is given to a deserving employee, it motivates all other employees of the organisation to work hard. The employees can be informed of such a vacancy by internal advertisement.

**Methods of Internal Sources:** The Internal Sources Are Given Below:

**i. Transfers:** Transfer involves shifting of persons from present jobs to other similar jobs. These do not involve any change in rank, responsibility or prestige. The numbers of persons do not increase with transfers.

**ii. Promotions:** Promotions refer to shifting of persons to positions carrying better prestige, higher responsibilities and more pay. The higher positions falling vacant may be filled up from within the organisation. A promotion does not increase the number of persons in the organisation. A person going to get a higher position will vacate his present position. Promotion will motivate employees to improve their performance so that they can also get promotion.

**iii. Present Employees:** The present employees of a concern are informed about likely vacant positions. The employees recommend their relations or persons intimately known to them. Management is relieved of looking out prospective candidates. The persons recommended by the



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employees may be generally suitable for the jobs because they know the requirements of various positions. The existing employees take full responsibility of those recommended by them and also ensure of their proper behaviour and performance.

**(B) External Sources:** All organisations have to use external sources for recruitment to higher positions when existing employees are not suitable. More persons are needed when expansions are undertaken.

**Methods of External Sources:** The external sources are discussed below:

**i. Advertisement:** It is a method of recruitment frequently used for skilled workers, clerical and higher staff. Advertisement can be given in newspapers and professional journals. These advertisements attract applicants in large number of highly variable quality. Preparing good advertisement is a specialised task. If a company wants to conceal its name, a 'blind advertisement' may be given asking the applicants to apply to Post Bag or Box Number or to some advertising agency.

**ii. Employment Exchanges:** Employment exchanges in India are run by the Government. For unskilled, semi-skilled, skilled, clerical posts etc., it is often used as a source of recruitment. In certain cases it has been made obligatory for the business concerns to notify their vacancies to the employment exchange. In the past, employers used to turn to these agencies only as a last resort. The job-seekers and job-givers are brought into contact by the employment exchanges.

**iii. Schools, Colleges and Universities:** Direct recruitment from educational institutions for certain jobs (i.e. placement) which require technical or professional qualification has become a common practice. A close liaison between the company and educational institutions helps in getting suitable candidates. The students are spotted during the course of their studies. Junior level executives or managerial trainees may be recruited in this way.

**iv. Recommendation of Existing Employees:** The present employees know both the company and the candidate being recommended. Hence some companies encourage their



existing employees to assist them in getting applications from persons who are known to them. In certain cases rewards may also be given if candidates recommended by them are actually selected by the company. If recommendation leads to favouritism, it will impair the morale of employees.

**v. Factory Gates:** Certain workers present themselves at the factory gate every day for employment. This method of recruitment is very popular in India for unskilled or semi-skilled labour. The desirable candidates are selected by the first line supervisors. The major disadvantage of this system is that the person selected may not be suitable for the vacancy.

**vi. Casual Callers:** Those personnel who casually come to the company for employment may also be considered for the vacant post. It is most economical method of recruitment. In the advanced countries, this method of recruitment is very popular.

**vii. Central Application File:** A file of past applicants who were not selected earlier may be maintained. In order to keep the file alive, applications in the files must be checked at periodical intervals.

**viii. Labour Unions:** In certain occupations like construction, hotels, maritime industry etc., (i.e., industries where there is instability of employment) all recruits usually come from unions. It is advantageous from the management point of view because it saves expenses of recruitment. However, in other industries, unions may be asked to recommend candidates either as a goodwill gesture or as a courtesy towards the union.

**ix. Labour Contractors:** This method of recruitment is still prevalent in India for hiring unskilled and semi-skilled workers in brick klin industry. The contractors keep themselves in touch with the labour and bring the workers at the places where they are required. They get commission for the number of persons supplied by them.

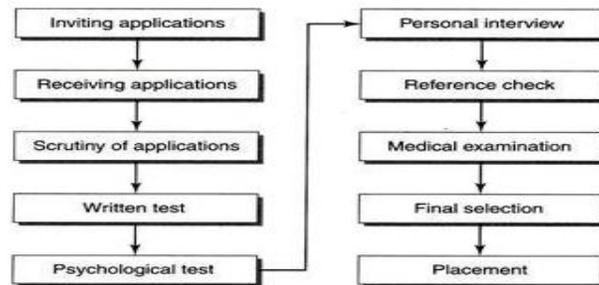
**x. Former Employees:** In case employees have been laid off or have left the factory at their own, they may be taken back if they are interested in joining the concern (provided their record is good).



**xi. Other Sources:** Apart from these major sources of external recruitment, there are certain other sources which are exploited by companies from time to time. These include special lectures delivered by recruiter in different institutions, though apparently these lectures do not pertain to recruitment directly. Then there are video films which are sent to various concerns and institutions so as to show the history and development of the company. These films present the story of company to various audiences, thus creating interest in them. Various firms organise trade shows which attract many prospective employees. Many a time advertisements may be made for a special class of work force (say married ladies) who worked prior to their marriage. These ladies can also prove to be very good source of work force. Similarly there is the labour market consisting of physically handicapped. Visits to other companies also help in finding new sources of recruitment.

**3. Selection:** It refers to choosing the most suitable candidate to fill the vacant job position. The selection is done through a process, which involves test, interviews, etc. In selection number of selected candidate is less than the number of rejected candidates that is why selection is called negative process also. The main objectives of selection are (i) To select the best among the available and (ii) To make selected candidate realize that how seriously things are done in the organisation.

**Steps Involved in Selection Procedure:** A scientific and logical selection procedure leads to scientific selection of candidates. The criterion finalized for selecting a candidate for a particular job varies from company to company. Therefore, the selection procedure followed by different organizations, many times, becomes lengthy as it is a question of getting the most suitable candidates for which various tests are to be done and interviews to be taken. The procedure for selection should be systematic so that it does not leave any scope for confusions and doubts about the choice of the selected candidate. Brief details of the various steps in selection procedure are given as follows:



**i. Inviting applications:** The prospective candidates from within the organization or outside the organization are called for applying for the post. Detailed job description and job specification are provided in the advertisement for the job. It attracts a large number of candidates from various areas.

**ii. Receiving applications:** Detailed applications are collected from the candidates which provide the necessary information about personal and professional details of a person. These applications facilitate analysis and comparison of the candidates.

**iii. Scrutiny of applications:** As the limit of the period within which the company is supposed to receive applications ends, the applications are sorted out. Incomplete applications get rejected; applicants with un-matching job specifications are also rejected.

**iv. Written tests:** As the final list of candidates becomes ready after the scrutiny of applications, the written test is conducted. This test is conducted for understanding the technical knowledge, attitude and interest of the candidates. This process is useful when the number of applicants is large. Many times, a second chance is given to candidates to prove themselves by conducting another written test.

**v. Psychological tests:** These tests are conducted individually and they help for finding out the individual quality and skill of a person. The types of psychological tests are aptitude test, intelligence test, synthetic test and personality test

**vi. Personal interview:** Candidates proving them successful through tests are interviewed personally. The interviewers may be individual or a panel. It generally involves



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officers from the top management. The candidates are asked several questions about their experience on another job, their family background, their interests, etc. They are supposed to describe their expectations from the said job. Their strengths and weaknesses are identified and noted by the interviewers which help them to take the final decision of selection.

**vii. Reference check:** Generally, at least two references are asked for by the company from the candidate. Reference check is a type of crosscheck for the information provided by the candidate through their application form and during the interviews.

**viii. Medical examination:** Physical strength and fitness of a candidate is must before they takes up the job. In-spite of good performance in tests and interviews, candidates can be rejected on the basis of their ill health.

**ix. Final selection:** At this step, the candidate is given the appointment letter to join the organization on a particular date. The appointment letter specifies the post, title, salary and terms of employment. Generally, initial appointment is on probation and after specific time period it becomes permanent.

**x. Placement:** This is a final step. A suitable job is allocated to the appointed candidate so that they can get the whole idea about the nature of the job. They can get adjusted to the job and perform well in future with all capacities and strengths.

**4. Placement and Orientation:** Placement refers to occupying of post by the candidate for which he is selected. After selection the employee is given appointment letter and is asked to occupy the vacant job position. Orientation refers to introduction of new employees to the existing employees large organisations organize orientation programmes to familiarize the new employees with the existing whereas in small organisations superior takes the new employees on round and introduces him to the existing employees.

**5. Training and Development:** To improve the competence of employees and to motivate them it is necessary to provide training and development opportunities for employees so that they can reach to top and keep improving their skill. Organisations may have in house



training centres or arrange with some institutions to provide training for their employees. Training and development not only motivate employees but these improve efficiency of work also. By offering the opportunities for carrier advancement to their employees organizations can improve their effectiveness and efficiency.

**Methods of Training:** There are mainly two methods of training: They are A. On the job training and B. Off the job training method.

**A. On-the-job training:** When the employees are trained while they are performing the job then it is known as On-the-job training. Under this method the employees learn by doing. This method is suitable only for technical jobs and the advantage of this method is employees can learn the practical problems while working on the job. The biggest disadvantage of on-the-job training is that it results in wastage of resources. Whenever employees are dealing with expensive and sophisticated machinery then on-the-job methods of training should be avoided. The Common and Popular Techniques of Training under On-the-job Method are:

**(a) Apprenticeship programme/training:** The workers seeking to enter skilled jobs are sent for apprenticeship training programme which is an on-the-job method of training. In the Apprenticeship Programme, a master worker or a trainer is appointed who guides the worker or learner regarding the skill of job. The master worker performs the job and the trainee (learner) observes him performing. When the learner learns all the skills then slowly he starts taking up the job step by step and master worker becomes the observer. When the trainee becomes perfect in doing the job then master worker goes and trainee gets full charge of job position. It is suitable for people seeking to enter skilled traits for example—plumbers, electricians, iron workers, etc.

**(b) Job rotation:** It is an on-the-job method of training in which the employee is shifted from one job position to other for short interval of time to make him aware of requirements of all the job positions. For example, in banks the employees are shifted from one counter to other so that they learn the requirements of all the counters.



(c) **Internship:** It is an agreement between the professional institutes and the corporate sector where professional institutes send their students to various companies so that they can practice the theoretical knowledge acquired by them through professional institutes. Under this training programme the organisations get people with fresh ideas and latest knowledge and the companies have to pay very less amount of salary which is called stipend. On the other hand, the students get chance to practice under the real work situation. In short, we can say under internship the class room sessions are backed with practical training.

(d) **Coaching:** In this method superior guides and instructs the trainee as a coach. He guides employee, how he can overcome his weaknesses and make his strength more strong, superior suggests the changes required in the behaviour and performance of the employee. The coach gives due importance to the objectives of individuals as well as objectives of organisation. Through effective coaching you can motivate the employees to perform to their best ability.

**B. Off-the-job training:** It means training the employees by taking them away from their work position which means employees are given a break from the job and sent for training. This method of training is more suitable for managerial job positions as conferences, seminars are held to train the managers. The Common and Popular Techniques of Training under off the Job Method are:

**i. Conferences/class room lectures:** Literal meaning of conference is consultation. It is a highly structured way to convey a message or specific information with the help of audio-visual aids formal classroom sessions of training can be made more interesting.

**ii. Vestibule school:** Vestibule school means duplicate model of organisation. Generally when the expensive and delicate machineries are involved then employers avoid using on-the-job methods of training. A dummy model of machinery is prepared and instead of using original machinery employees are trained on dummy model. Sometimes the accountants who have to make entries in inventory register or cash register they are first supplied the duplicate registers with the same columns as in original registers and when they become perfect in making entries in



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duplicate register then they are handed over original register. Vestibule school is an off-the- job method of training which makes use of benefit of on-the-job method.

**iii. Films:** Showing films is also a very effective method in certain cases. Films can give important information on various techniques through demonstrative skill.

**iv. Case Study:** Under this method managers discuss real problems that they have faced and trainees are asked to give their suggestions and alternatives to solve that problem. Case study helps the trainees to decision under real work situation. The case study provides the bridge between theoretical knowledge and its practical applications. The managers are generally invited to discuss the case in the class-room and the facts are presented by a capable instructor. The participants are expected to join the discussion and arrive at conclusion. The trainees develop the power of reasoning, analysis and presentation by participating the discussion.

**v. Computer Modelling and Programmed Instruction:** Under this method a computer is programmed to show real problems of job and how to overcome such problems. In this method the employees can learn a lot without incurring much cost. Under this method a learning package is prepared to give general instructions and specific skills. The information is broken into sequence of meaningful units. In most of the large, scale organisations there is a separate human resource department which performs staffing function but in small organisations the line managers only perform all the functions. So small organisations in which there is no human resource department include following steps also in the staffing process.

**i. Performance Appraisal:** After taking training and performing the job for sometimes there is need that employees' performance must be evaluated. Performance appraisal refers to evaluating the performance of employees against some standards. The standards are made known to employees in advance. Superiors prepare a feedback report on the basis of performance appraisal.

**Methods of Performance Appraisal:** Some of the methods used in performance appraisal of employees are as follows:



**a. Checklist method:** A checklist is a list consisting of statements of traits, qualities and behaviour of employees. It has two columns 'Yes' and 'No' representing positive and negative responses.

**b. Forced distribution method:** In this method, the employee is evaluated on the basis of the pattern of a normal curve with the assumption that the performance level conforms to a normal distribution.

**c. Forced choice method:** In this method, the rater is given a series of statement to evaluate the employee. The rater can select any statement that clearly describes the employee.

**d. Graphic rating scale:** The most commonly used method in which the rater is presented with a set of traits in a printed appraisal form. Various characteristic such as job knowledge, quality of work, initiative and diligence are rated within a scale of 0 to 9. The employee receives comments from the rater, so that they can improve on the weak points.

**e. Essay method:** The supervisor writes an application describing the employee's performance after taking into certain parameters, such as work performance, strength, weakness, employee's potential, and areas in which he needs to be trained.

**f. Field review method:** An outsider from any other office (HR department) interviews the managers and line supervisors to appraise the subordinates working under them. The managers are interviewed about the level of performance, growth potential and positive and negative features of employees.

**g. Paired comparison method:** According to this method, the supervisor is given a series of cards, each of them containing the names of two employees. The supervisor chooses the better one of them by comparison. The number of comparisons is divided with a formula

$$N(N-1)/2 \quad \text{Where } N = \text{number of employees to be compared.}$$



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**h. Grading method:** On the basis of skills, knowledge and traits, employees are graded as outstanding, good, fair, average, poor, and unsatisfactory.

**i. Ranking method:** The superior gives rank to the employees in order of their merits and demerits. It is very difficult when evaluation of a large number of employees has to be done.

**j. Critical incident method:** This method emphasizes critical incident and behaviour of employees used for distinguishing between good and bad performances.

**k. Behaviourally anchored rating scales (BARS):** This method is based on the behaviour of the employees on job. The behaviour of an employee is measured against a scale of performance level. The steps under BARS are as follows:

- About six to ten performance dimensions are identified and defined by the raters and the ratees.
- The dimensions are anchored with positive and negative critical incidents.
- Each ratee is then rated on the dimensions.
- Ratings are feedback using the terms displayed on the firms.

**l. Balanced scorecard:** This method was developed by Robert Kaplan and David Norton. It brings the linkages among financial customer, processes and learning. According to this method strategies are translated into clear-cut objectives. All employees should understand how their duties are aligned with higher-level objectives. Employees should be provided with feedback on how they are accountable for achieving objectives, to what extent they achieved them, and reasons for failure. The scorecard of every employee indicates what all adjustments and performance improvements are required.

**m. Human resource accounting:** Human resource accounting deals with the cost and contribution of the employees in an organization. The cost of the employee includes the cost of manpower planning, recruitment, selection and training whereas the contribution is the value added by the employee. The performance of an employee is positive if his contribution is greater than cost and vice versa.



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**n. Management by objectives method:** Management by objectives is a method in which the superior and subordinate managers of an organization jointly identify its common goals and define each individual's major areas of responsibility in terms of results expected from them. Thus, it focuses attention on setting goals and accomplishment of the same. During appraisal, superiors and subordinates update and alter goals, as and when required.

**o. 360-degree appraisal:** Any person having thorough knowledge about the job contents can appraise an employee. According to this method all parties related to role of individual in an organization will be rating an employee. Thus, performance appraisal by supervisors, peers, subordinates, customers, employees themselves, other users of services, and consultants is known as 360-degree appraisal.

**ii. Promotion and Career Planning:** Promotion refers to being placed at a higher job position with more pay, job satisfaction and responsibility. Generally on the basis of feedback report of employees', performance they are given promotion and opportunities for higher job positions.

**iii. Compensation:** It refers to price of the job. It includes pays, reward and other incentives given to employees. It includes direct as well as indirect payments. Direct payments such as wages, salary, etc. Indirect payments such as medical facility, insurance, etc. The managers must fix the right compensation on the basis of qualification, type of job, etc. Direct financial payments are of two types:

- i) Time based:** This plan means salary/wages are paid on daily, weekly or monthly basis.
- ii) Performance based:** Under this method the payment is made to employees on the basis of number of pieces or units produced by the employees.

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## UNIT III

*Principles of direction and supervision – Techniques of direction. Meaning of importance of Supervision – functions of supervisor – coordination – importance, elements and steps. Motivation: Meaning, kinds and theories of motivation, Theory X, Theory Y and Theory Z Hierarchy of Needs Theory – communication process – Principles of communication, Barrier, intercoming barriers.*

### DIRECTING

It is said to be a process in which the managers instruct, guide and oversee the performance of the workers to achieve predetermined goals. Directing is said to be the heart of management process. Planning, organizing, staffing has got no importance if direction function does not take place.

Directing initiates action and it is from here actual work starts. Direction is said to be consisting of human factors. In simple words, it can be described as providing guidance to workers is doing work. In field of management, direction is said to be all those activities which are designed to encourage the subordinates to work effectively and efficiently. According to Human, “Directing consists of process or technique by which instruction can be issued and operations can be carried out as originally planned” Therefore, Directing is the function of guiding, inspiring, overseeing and instructing people towards accomplishment of organizational goals.

**PRINCIPLES OF DIRECTION:** For effective direction, following principles may be used:

- (i) **Principle of leadership:** Ability to lead effectively is essential to effective direction.
- (ii) **Principle of informed communication:** The management should recognize and utilize informal organisation constructively.
- (iii) **Principle of direct supervision:** The manager should supplement objective methods of supervision and control with direct personal supervision to ensure personal contact.
- (iv) **Principle of direct objectives:** The manager should communicate effectively and motivate the subordinates for most effective performance.
- (v) **Principle of harmony of objectives:** The manager should guide the subordinates so that their individual interest harmonizes with group interests.



- (vi) **Principle of unity of command:** For most effective direction, subordinates should be responsible to one superior.
- (vii) **Principle of managerial communication:** The manager being the principle medium of communication, should keep lines of communication open.
- (viii) **Principle of comprehension:** The communication should ensure that the recipients of the information actually comprehend it.
- (ix) **Principle of direct communication:** The direct flow of information is most effective for communications.

**TECHNIQUES OF DIRECTION:** A manager has at his disposal three broad techniques of direction.

1. **Consultative direction:** In this method executive consults with his subordinates concerning the feasibility, the workability and the extent and content of a problem before the superior makes a decision and issues a directive.

The following **advantages** are claimed in this type of method:

- (a) Participation occurs on every level of organisation.
- (b) Better communication.
- (c) Least resistance from subordinates, experience and knowledge of subordinate also can be used to arrive at right directives.
- (d) It induces better motivation and morale.
- (e) It leads to better co-ordination and effective results.

This method has the following **disadvantages:**

- (a) It is time consuming.
- (b) Subordinates may consider it their right and prerogative to be consulted before a directive is given to them by their superiors.
- (c) Sometimes unnecessary arguments arise leading to wastage of time.

2. **Free rein direction:** The free rein technique encourages and enables the subordinate to contribute his own initiative, independent thought, drive, perspicacity and ingenuity to the solution of the problem. The free rein technique of direction will probably show the best



and quickest results, if the subordinate is highly educated, brilliant young man a sole performer, who has a sincere desire to become a top level manager.

3. **Automatic direction:** In this method manager gives direct, clear and precise orders to his subordinates, with detailed instructions as how and what is to be done allowing no room for the initiative of the subordinate.

## SUPERVISION

The supervision means instructing, guiding, monitoring and observing the employees while they are performing jobs in the organisation.



### IMPORTANCE OF SUPERVISION:



**1. Ensures Issuing of Instructions:** The supervisor makes sure that all the instructions are communicated to each and every employee. The top level and middle level, plan out all the instructions but the instructions are issued only by supervisory level management.

**2. Facilitates Control:** Control means match between actual and planned output. Whenever the workers are under constant supervision or monitoring then step by step check is kept and if they are deviating from plan then immediate instructions are issued by the supervisor. By this constant monitoring, the supervision function ensures strict control over the activities of subordinates.



**3. Optimum Utilization of Resources:** When the workers are constantly monitored or observed then they always use the resources in the best possible manner which leads to minimum wastage. But if there is no supervision or check on workers they may result in wastage of resources.

**4. Discipline:** The strict supervision and guidance of supervisor encourages the employees and workers to be more disciplined in their activities. Under the guidance of supervisor the workers follow a fixed or strict time-table and execute the plans in right directions.

**5. Feedback:** The supervisors are directly dealing with the subordinates. So they are the best persons to give feedbacks of subordinates. They give the report regarding the working of every worker which becomes the base for the performance appraisal for the employees. The supervisor gives the feedback regarding complaints, grievances and problems of subordinates to superiors.

**6. Improves Communication:** Supervisors issue instructions and orders to all the subordinates and make sure that these instructions and orders are clear to all the members. While playing the role of the linking pin or mediator the supervisor tries to remove the communication gap between the superiors and subordinates as he passes on the complaints and problems of subordinates to superiors and instructions of superiors to subordinates.

**7. Improves Motivation:** The relationship with the supervisor is a very good incentive to improve the motivation level of the employees. While guiding the employees the supervisors encourage the subordinates to perform to their best capacity.

**8. Maintain group unity:** Supervisor plays a key role in maintaining group unity among workers working under him he maintains harmony among workers by solving their disputes.

### **FUNCTIONS OF SUPERVISOR:**

Supervisor, being the manager in a direct contact with the operatives, has got multifarious function to perform. The objective behind performance of these functions is to bring stability and soundness in the organization which can be secured through increase in profits which is an end result of higher productivity. Therefore, a supervisor should be concerned with performing the following functions -



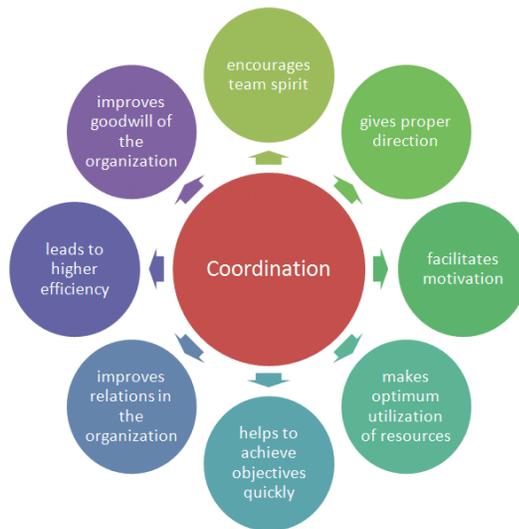
1. **Planning and Organizing** - Supervisor's basic role is to plan the daily work schedule of the workers by guiding them the nature of their work and also dividing the work amongst the workers according to their interests, aptitudes, skills and interests.
2. **Provision of working conditions** - A supervisor plays an important role in the physical setting of the factory and in arranging the physical resources at right place. This involves providing proper sitting place, ventilation, lighting, water facilities etc. to workers. His main responsibility is here to provide healthy and hygienic condition to the workers.
3. **Leadership and Guidance** - A supervisor is the leader of workers under him. He leads the workers and influences them to work their best. He also guides the workers by fixing production targets and by providing them instruction and guidelines to achieve those targets.
4. **Motivation** - A supervisor plays an important role by providing different incentives to workers to perform better. There are different monetary and non-monetary incentives which can inspire the workers to work better.
5. **Controlling** - Controlling is an important function performed by supervisor. This will involve
  - i. Recording the actual performance against the time schedule.
  - ii. Checking of progress of work.
  - iii. Finding out deviations if any and making solutions
  - iv. If not independently solved, reporting it to top management.
6. **Linking Pin** - A supervisor proves to be a linking pin between management and workers. He communicates the policies of management to workers also passes instructions to them on behalf of management. On the other hand, he has a close contact with the workers and therefore can interact the problems, complaints, suggestions, etc to the management. In this way, he communicates workers problems and brings it to the notice of management.
7. **Grievance Handling** - The supervisor can handle the grievances of the workers effectively for this he has to do the following things :-
  - i. He can be in direct touch with workers.
  - ii. By winning the confidence of the workers by solving their problems.
  - iii. By taking worker problems on humanitarian grounds.



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- iv. If he cannot tackle it independently, he can take the help and advice of management to solve it.
8. **Reporting** - A supervisor has got an important role to report about the cost, quality and any such output which can be responsible for increasing productivity. Factors like cost, output, performance, quality, etc can be reported continually to the management.
9. **Introducing new work methods** - The supervisor here has to be conscious about the environment of market and competition present. Therefore he can innovate the techniques of production. He can shift the workers into fresh schedules whenever possible. He can also try this best to keep on changing and improving to the physical environment around the workers. This will result in Higher productivity, High Morale of Workers, Satisfying working condition, Improving human relations, Higher Profits, and High Stability.
10. **Enforcing Discipline** - A supervisor can undertake many steps to maintain discipline in the concern by regulating checks and measures, strictness in orders and instructions, keeping an account of general discipline of factory, implementing penalties and punishments for the indisciplined workers. All these above steps help in improving the overall discipline of the factory.

## COORDINATION

The process by which a manager integrates their activities is known as **coordination**. **Coordination** is an orderly arrangement of group efforts to maintain harmony among individual's efforts towards the accomplishment of common goals of an organisation. It is the force that integrates all functions of the management.



## IMPORTANCE OF COORDINATION:

The following reasons bring out the need and importance of coordination:

**(1) Size of the Organisation:** These days, the scale of doing business is increasing day by day. Any increase in the scale of the business also results in an increase in the number of people employed in the organisation, with each person having different interests, way of working, mutual understanding, objective of working, tolerance, etc. However, all these people have to work together as a group despite these differences, which is not a very easy task. Therefore, it is very necessary that through coordination a proper environment is created so that everybody gives his full contribution towards the attainment of organizational goals.

**(2) Functional Differentiation:** There may be a clash of interests among the various departments in an organisation. Such a situation becomes a very big hindrance in the achievement of organizational goals. There is only one way to avoid clashes, and that is by establishing proper coordination between the departments.

**(3) Specialization:** In every organisation, in order to avail the benefits of specialization, one main activity is divided into various sub activities, and each of these is allotted to different persons who are experts in their particular sub activity. Every person wants to do his work in his own way, without having any regard for the 'total work' to be performed. In such a situation, in



order to complete the activities being performed by various people successfully, it is very necessary to establish coordination among them. It is only upon the establishment of coordination that everyone completes his or her own work in time keeping in view the 'total work' to be performed.

**(4) Interdependence of Different Processes:** The next major point which delineates the importance of coordination is that the various units in an organisation are interdependent. The higher the interdependence among the units, the greater is the need for coordination.

#### **ELEMENTS OF COORDINATION:**

One of the most exciting tasks for a leader is to achieve a successful coordination within her or his team. Like in most companies, in Doolphy the work is performed by a team and we try to make each task fit the other ones in the best way possible.

In this regard, there is a list of elements that every leader should take into account:



1. **Having a global picture of all the work that has to be done:** The leader must have a long term vision of the tasks that have to be performed. Her or his attitude should be more "visionary" in order to be ahead of the needs of the company and the team, in that way she or he can provide quick responses to changes and unforeseen aspects that can appear in the future.

2. **Setting a common goal:** There is no point in coordinating a team if we don't know what we want to achieve.

3. **Knowing your team:** The members of a team are, in most cases, very different between them. Everyone has her/his own way of thinking or acting. That's why, for a project leader, it's very



important to know each team member. It allows assigning tasks according to the strengths of each member, reinforcing their motivation and supporting their specialization in a direct and positive way.

4. **Defining team roles** is a task tightly linked to the previous point. Each team member plays a particular role within the organization and we can only create a strong and consolidated team if we achieve that each person has the role that better fits their flairs and skills.

5. **Planning:** Once the team is formed and the role of each team member defined, we should make a planning that includes all the tasks to perform, the estimated time and, where is needed, the available budget. Surely, this planning will have to be reviewed in the future according to the development of events.

6. **Communicating:** As you can imagine, all the previous points will lose their sense if we haven't been able of transmitting them to the team. In order to achieve this, it will be necessary to hold meetings. It's important to make meetings as productive as possible, that's why one should clearly define their contents beforehand, so stalled situations or backwards steps are avoided.

7. **Finding the correct tools:** It's evident that we should make use of all tools that can make the work of coordination easier. In particular there are applications which let us define what tasks are to be performed, who is assigned to them and when they have to be finished. In addition, if we communicate the information to the team, we'll reduce unproductive and unnecessary meetings. Doolphy is a clear example of a tool that helps you. Nobody says that it'll be easy but you should try to escape from complexity and, thanks to Doolphy, you can do it.

There is no doubt that to perform a correct management activity some skills are necessary. This is related to the old, everlasting question about if these skills are innate or we can learn them. From my perspective, no one is perfect and everything can be improved. The really important thing is to be sure of what you want to do and do it well. Surround yourself with the best teammates, learn, make mistakes and correct them. That's the only way to better you and get closer to perfection.

#### **STEPS OF COORDINATION:**

According to Louis Allen, co-ordination comprises three steps-



- (1) Balancing
- (2) Timing and
- (3) Integrating.

1. **Balancing:** It implies that something is provided more in order to compensate for some other thing which is less. Thus in a large organisation it involves the provision to staff support to the line personnel and vice versa.

2. **Timing:** It suggests that different parts of an operation are carried on according to such schedules that the beginning of each part synchronizes with the end of the preceding part and its end, in turn with the beginning of the following part.

3. **Integrating:** It is the effective co-ordination of different elements' and diverse interests so that all the units of the organisation and whatever they do ultimately conform to the common goal of the enterprise.

## MOTIVATION

**Motivation** is the process of channeling a person's inner drives so that he wants to accomplish the goals of the organization. Motivation concern itself with the will to work. It seeks to know the incentives for work and tries to find out the ways and means whereby their realization can be helped and encouraged. Managers, by definition, are required to work with and through people, so they must gain at least some understanding of the forces that will motivate the people they are to manage. People are complex and they are uniquely different. What motivates one person may not motivate another. Most successful managers have learned to understand the concept of human motivation and are able to use that understanding to achieve higher standards of subordinate work performance.

"Motivation" is a Latin word, meaning "to move". Human motives are internalized goals within individuals. Motivation may be defined as those forces that cause people to behave in certain ways. Motivation encompasses all those pressures and influences that trigger, channel, and sustain human behaviour. Most successful managers have learned to understand the concept



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of human motivation and are able to use that understanding to achieve higher standards of subordinate work performance.

Motivation has been defined by Michael J Juicus as "the act of stimulating someone or oneself to get a desired course of action".

In the words of Lewis Allen, "Motivation is the work a manager performs to inspire, encourage and impel people to take required action".

According to William G Scott, "Motivation means a process of stimulating people to action to accomplish desired goals".

According to Koontz and O'Donnell, "Motivation is a general term applying to the entire class of drives, needs, wishes and similar forces".

In the words of C. B. Mamoria - Motivation is - "a willingness to expend energy to achieve a goal or reward. It is a force that activates dormant energies and sets in motion the action of the people. It is the function that kindles a burning passion for action among the human beings of an organization".

Motivation is a process by which a need or desire is aroused and a psychological force within our mind sets us in motion to fulfil our needs and desire. An unsatisfied need becomes the motive for a person to spend his energy in order to achieve a goal. In a business organization the 4 P's praise, prestige promotion and pay are the best positive motivators.

**KINDS OF MOTIVATION:** If a manager wants to get work done by his employees, he may either hold out a promise of a reward (positive motivation) or he may install fear (negative motivation). Both these types are widely used by managements.

**1. Positive or Incentive Motivation:** This type of motivation is generally based on reward. A positive motivation involves the possibility of increased motive satisfaction. According to Flippo - "Positive motivation is a process of attempting to influence others to do



your will through the possibility of gain or reward". Incentive motivation is the "pull" mechanism. The receipt of awards, due recognition and praise for work-well done definitely lead to good team spirit, co-operation and a feeling of happiness.

Positive motivation include:-

- Praise and credit for work done
- Wages and Salaries
- Appreciation
- A sincere interest in subordinates as individuals
- Delegation of authority and responsibility

**2. Negative or Fear Motivation:** This type of motivation is based on force and fear. Fear causes persons to act in a certain way because they fear the consequences. Negative motivation involves the possibility of decreased motive satisfaction. It is a "push" mechanism. The imposition of punishment frequently results in frustration among those punished, leading to the development of maladaptive behaviour. It also creates a hostile state of mind and an unfavorable attitude to the job. However, there is no management which has not used the negative motivation at some time or the other.

**THEORIES OF MOTIVATION:** Motivation to work is very complex. There are many internal and environmental variables that affect the motivation to work. Behavioral scientists started to search new facts and techniques for motivation. These theories are termed as theories of motivation. The most important theories are explained below.

### **I. McGregor's Theory X and Theory Y:**

Different styles of management have a different bearing on the motivation of workers in the organization. The style adopted by a manager in managing his subordinates is basically dependent upon his assumption about human behaviour. Theory X is negative, traditional and autocratic style while Theory Y is positive, participatory and democratic. Thus, these labels describe contrasting set of assumptions about human nature.



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Douglas McGregor has classified the basic assumption regarding human nature into two parts and has designated them as 'theory X' and 'theory Y'.

**Theory X:** This is the traditional theory of human behaviour, which makes the following assumptions about human nature:

1. Management is responsible for organizing the elements of productive enterprises - money, material, equipment, and people - in the interest of economic ends.
2. With reference to people it is a process of directing their efforts, motivating them, controlling their actions, modifying their behaviour in order to be in conformity with the needs of the organization.
3. Without this active intervention by management, people would be passive – even resistant to organizational needs. Hence they must be persuaded, rewarded, punished and properly directed.
4. The average human being has an inherent dislike of work and will avoid it if he can.
5. He lacks ambition, dislikes responsibility and prefers to be led.
6. He is inherently self-centred, indifferent to organizational needs.
7. He is by nature resistant to change.
8. He is gullible, not very bright.

**Theory Y:** The assumption of theory Y, according to McGregor are as follows:-

1. Work is as natural as play or rest, provided the conditions are favourable; the average human being does not inherently dislike work.
2. External control and the thrust of punishment are not the only means for bringing about efforts towards organizational objectives. Man can exercise self-control and self-direction in the service of objectives to which he is committed.
3. Commitment to objectives is a result of the rewards associated with their achievement. People select goals for themselves if they see the possibilities of some kind of reward that may be material or even psychological.
4. The average human being, under proper conditions does not shirk responsibility, but learn not only to accept responsibility but also to seek it.



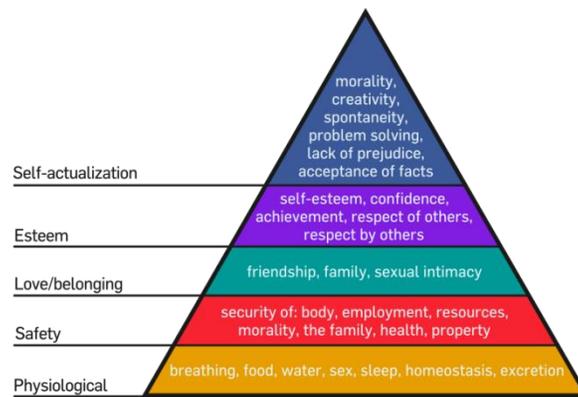
5. He has capacity to exercise a relatively high degree of imagination, ingenuity and creativity in the solution of organizational problems in widely, not narrowly distributed in the population.
6. Under conditions of modern industrial life the intellectual potentialities of people are only partially utilized. As a matter of fact, men, have unlimited potential.

## **II. Maslow's Need-Hierarchy Theory of Motivation**

According to Abraham Maslow, a U.S psychologist, man is a wanting animal. He has a variety of wants or needs. All motivated behaviour of man is directed towards the satisfaction of his needs. The theory postulated that people are motivated by multiple needs, which could be arranged in a hierarchy.

Maslow offers a general theory of motivation called the 'need hierarchy theory'. The features of his theory are as follows:-

1. People have a wide range of needs which motivate them to strive for fulfillment.
2. Human needs can be definitely categorized into five types:
  - Physical needs,
  - Safety or security needs,
  - Affiliation or social needs,
  - Esteem needs and
  - Self - actualization needs.
3. These needs can be arranged into a hierarchy. Physical needs are at the base whereas self-actualization needs are at the apex.
4. People gratify their physical needs first, when the need is satisfied, they feel the urge for the next higher level need.
5. Relative satisfaction of lower level need is necessary to activate the next higher level need.
6. A satisfied need does not motivate human behaviour. It only triggers or activates the urge for the next higher level of needs.



- **Deficit and Progression Principles:** In order to comprehend the full meaning of Maslow's theory, it is necessary to understand the deficit and progression principles.
- **Deficit Principle:** According to Maslow, once a need is fairly well satisfied, it is no longer a stronger motivator of behaviour. People are motivated to satisfy only those needs that are perceived to be deficient.
- **Progression Principle:** Maslow contends that the five categories of needs exist in a hierarchy. A need at a given level is not activated until the need directly below it is fairly well gratified. Thus, the person is expected to progress step-by-step up the need hierarchy.

The need-hierarchy theory must not be viewed as a rigid structure to be applied universally in all situations. The hierarchy represents a typical pattern that operates most of the time.

### III. Hertzberg's Theory of Motivation

Hertzberg developed a theory of motivation on the premise that human nature has two separate elements - The motivators and maintenance factors. According to this theory of motivation the items that determine job content are considered motivational factors e.g.:- Achievement, recognition, responsibility, advancement and the work itself. The elements that influence the job context are the hygiene or maintenance factors e.g.:-company policy,



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salary, inter-personal relations, working conditions etc. They must be adequate and if they are absent or inadequate, they will create dissatisfaction.

- (a) **Hygiene Factors:** Hygiene factors represent the need to avoid pain in the environment. They are not an intrinsic part of a job, but they are related to the conditions under which a job is performed. They are associated with negative feelings. They must be viewed as preventive measures that remove sources of dissatisfaction from environment. Herzberg believed that hygiene factors created a zero level of motivation and if maintained at proper level prevents negative type of motivation from occurring. Thus, hygiene factors, when absent, increase dissatisfaction with the job. When present, help in preventing dissatisfaction but do not increase satisfaction or motivation.
- (b) **Motivators:** Motivators are associated with positive feelings of employees about the job. They make people satisfied with their job. Motivators are necessary to keep job satisfaction and job performance high. On the other hand, if they are not present they do not prove highly satisfying. Motivational factors or satisfiers are directly related to job content itself, the individual's performance of it, its responsibilities and the growth and recognition obtained from it. Motivators are intrinsic to the job. Thus, when motivators are absent, prevent both satisfaction and motivation. When, motivators are present, they lead to satisfaction and motivation.

To apply the two-factor theory to the workplace, Herzberg suggests a two-step process

- (i) The supervisor should attempt to eliminate the hygiene factors that are found to be more basic than factors that lead to satisfaction.
- (ii) Once the dissatisfies have been somewhat neutralized, the supervisor may be able to motivate workers through the introduction of motivational factors.

#### **IV. Victor Vroom's Expectancy Theory:**

Expectancy Theory was developed by Victor H Vroom. It is based on the notion that human behaviour depends on people's expectations concerning their ability to perform tasks and to



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receive desired rewards. The expectancy theory argues that the strength of a tendency to act in a certain way depends in the strength of an expectation that the act will be followed by a given outcome and on the attractiveness of the outcome to the individual. It includes three variables which Vroom refers to as -

- (i) **Valence:** Valence means the strength of an individual's preference for a particular outcome. A valence of zero occurs when the individual is indifferent towards the outcome. The valence is negative when the individual prefers not attaining the outcome to attaining it.
- (ii) **Instrumentality:** Instrumentality refers to the relationship between performance and reward. It refers to a degree to which a first level outcome (e.g.:-superior performance) will lead to a desired second level outcome (e.g.:- promotion). If people perceive that their performance is adequately rewarded the perceived instrumentality will be positive. On the other hand, if they perceive that performance does not make any difference to their rewards, the instrumentality will be low.
- (iii) **Expectancy:** People have expectancies about the likelihood that an action or effort on their part will lead to the intended performance. Workers will be motivated by the belief that their performance will ultimately lead to payoffs for them. Expectancy is the probability that a particular action will lead to a particular first level outcome.

In sum, Vroom emphasizes the importance of individual perceptions and assessments of organizational behaviour. The key to "expectancy" theory is the "understanding of an individual's goals" - and the linkage between "effort" and "performance" between "performance" and "rewards" and between "rewards" and "individual-goal satisfaction". It is a contingency model, which recognizes that there is no universal method of motivating people. Because we understand what needs an employee seeks to satisfy does not ensure that the employee himself perceives high job performance as necessarily leading to the satisfaction of these needs.

## V. McClelland's Need for Achievement Theory:

David C McClelland, a Harvard Psychologist, has proposed that there are three major relevant motives most needs in work-place situations. According to him, the motives are:-



- The need for achievement i.e., strives to succeed.
- The need for affiliation i.e., warm relationship with others.
- The need for power i.e., controls other people.

According to McClelland, every motive is acquired except striving for pleasure and avoiding pain. He proposed that people acquire these needs for achievement, power and affiliation through experiences over the time. On the job, people are motivated by these needs, and the manager can learn to recognize these needs in workers and use them to motivate behaviour.

McClelland used the Thematic Apperception Test (TAT) to study human needs. The TAT process involves asking respondents to look at pictures and write stories about what they see in the pictures. The stories are then analysed to find certain themes that represent various human needs. From his research, McClelland found that, achievement motive is a "desire to perform in terms of a standard of excellence or to be successful in competitive situations". They (employees) seek situations where:

1. They can attain personal responsibility for finding solutions to problems.
2. They can receive immediate feedback information on how they are progressive towards a goal.
3. They can set moderately challenging goals.
4. They find accomplishing a task intrinsically satisfying.

"High achievers" differentiate themselves from others by their desire to do things better.

**Evaluation:** Achievement motivated people are the backbone of any organization. As such considerable time and attention must be devoted to constructing ways of developing the achievement motive at the managerial level. Organizational climate must be conducive to high achievement. Managers must try to raise the achievement need level of subordinates by creating the proper work environment, increasing responsibility and autonomy and rewarding excellence in performance.

## COMMUNICATION



The communication can be defined as the process through which two and more persons exchange ideas and develop understanding.

In an organisational set up, communication is the means by which people are linked together for a common purpose, to establish a common interest or mutual understanding. Thus, communication does not simply involve sending of a message by one person. It also involves the receiver listening to it, interpreting it, and responding to it or acting according to it.

## COMMUNICATION PROCESS

The process of communication implies the existence of a sender, a receiver, a message and a motivating climate for it. The process includes the following steps :

- **Clear Perception of the Idea or Problem:** No message can be transmitted properly unless the idea or problem is formulated with clarity of thought and perception on the part of the communicator. It is only on the basis of clear thinking that the communicator can decide on the means to be adopted to convey the message.
- **Participation of others Involved:** The next step is to secure the participation of other persons in the decision to communicate a message. This may be helpful in clarifying the ideas through interaction with others, gathering new ideas and suggestions, and in creating a motivating climate for securing positive response to the message.
- **Transmission of the Message:** What to communicate to whom, when and how are expected to be decided before actual transmission of the message. Actual transmission involves preparing the matter and the form of communication (known as ‘encoding’ the message) and selecting the medium or means of communication (oral or written) keeping in view the nature of persons or groups to be addressed.
- **Motivating the Receiver of the Message:** The communicator cannot depend on the message alone to get an appropriate response from the receiver. He/she must ensure that the receiver of the message is not only able to interpret the message correctly but is also prepared to act according to it. Thus, apart from the clarity of the message, it must inspire the receiver to do or behave as desired by the sender of the message.



- **Evaluation of the Effectiveness of the Communication:** After the message has been transmitted and accepted by the receiver, it remains for the communicator to ascertain and evaluate the nature of the communication. This determines whether and to what extent the receiver has positively responded to the message.

## ELEMENTS IN THE COMMUNICATION PROCESS

- ✓ **Communicator:** The communicator plays an important role in the process of communication as the message originates from him/her. Communicators may include managers, subordinates, clients, customers, as well as outside parties.
- ✓ **Encoding:** Encoding the matter to be communicated is the second element. It refers to preparing the subject of communication (idea, fact, information, etc.) in a suitable language.
- ✓ **Message:** The encoded message needs to be transmitted by appropriate means. It may be in verbal or written form depending on the purpose.
- ✓ **Medium:** The medium of communication carries the message from the communicator to the receiver. Face-to-face verbal communication, use of telephone, inter-com facilities, issue of memorandum, notice, circulars, statements, telegraphs, telex, etc. are the various means available as media of communication. Besides, non-verbal media like signals, gestures, etc. may also be used. The choice of medium is an important aspect of communication, since proper medium also determines its effectiveness.
- ✓ **Decoding:** Decoding refers to the conversion of the message by the receiver into meaningful terms so as to make it understandable. This is another important element of communication because the receiver's response depends upon his understanding of the content and purpose of the message.
- ✓ **Receiver:** The receiver of the message has an equally vital role to play as the communicator. Indeed, communication to be effective must be receiver oriented, for it is the receiver, his ability to decode the message and understand it, that contribute to a positive response from the receiver.
- ✓ **Feedback:** The actual response of the receiver to the message communicated to him is known as 'feedback'. This is an important element to the communication process because



it reduces the possibility of a difference between the intention of the communicator and the interpretation of the message by the receiver. Two-way communication requires feedback to the initial message sent and enables the sender to check whether the message received has been properly understood by the receiver.

## **PRINCIPLES OF GOOD COMMUNICATION**

- Clarify the Ideas before Communication
- Object of Communication
- Environmental Factors
- Consultation with Others
- Tone and the Contents of the Message
- Convey Things of Help and Value to Listeners
- Follow-up Communication
- Communication for Present and Future
- Correlation between Action and Communication
- Be a Good Listener

## **BARRIERS TO COMMUNICATION**

The barriers include the distortion of messages due to attributes of the receiver, selective perception, semantic problem, timing and information overload.

### **SEMANTIC BARRIERS:**

Semantics means coding /decoding. It is the science of meaning (Phonetics science of sound).

- Similar Pronunciation but multiple meaning.
- Badly expressed message – incoherence, poor sentence structuring and jargons
- Wrong interpretation - Pandit, raja / Rajah
- Unqualified assumption by sender / receiver
- Technical language / jargon



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## **ORGANIZATIONAL BARRIERS:**

Interference from relative status and power of participants, incompatible needs and expectations

- Organizational culture – impacts freedom and trust
- Organizational rules and regulations
- Status relationship
- Complexity in organizational structure
- Inadequate facilities and opportunities
- Lack of cooperation between senior and subordinate.

## **INTER-PERSONAL BARRIERS:**

Sender and receiver – different economic, educational and status level

### **Barrier from Superior**

- Shortage of time for employee
- Lack of trust
- Lack of trust for employee's needs and expectations
- Desire to capture authority by retaining information
- Fear of losing power of control
- Bypassing
- Information overload to employees

### **Barrier from Subordinate**

- Lack of proper channel – how does he convey?
- No interest to communicate
- Lack of cooperation and mutual understanding
- Lack of trust and co-ordination



- Poor social relationship
- Fear of penalty.

### **Individual / Psycho-sociological Barriers**

#### **Style**

- Linguistic accent
- The form of expression
- Level of drama / gestures
- Humour
- Brevity
- Choice of discriminatory or non- discriminatory communication
- Quality of credibility and charisma
- Selective Perception – ‘I know it syndrome’, ‘waste of time’
- Status relationship - – monologues by seniors
- Inattention
- Poor retention
- Undue importance of written words
- Defensiveness to a unpleasant message
- Closed minds – lack of background knowledge.
- State of health – lack of alertness.
- Filtering

#### **Cross-cultural / Geographic Barriers**

- Language
- Values and norms of behaviour
- Social relationship
- Concept of time
- Concept of space



- Non-verbal communication
- Perception
- National character / basic personality

### **Technological Barriers**

- Lack of knowledge of technology
- Advancement in technology
- Noise
- Fear of lack of security

### **OVERCOMING BARRIERS**

- Communication of organizational philosophy
- Flat organizational structure
- Division of labour
- Organizational policies
- Reduction of semantic problems
- Proper communication channels
- Right feed back

### **HOW TO MAKE COMMUNICATION EFFECTIVE?**

- Regulating the Flow of Communications
- Feedback
- Language of the Message
- Importance of Listening Carefully
- Restraint Over Emotion
- Non-verbal Signals of Compliance
- Mutual Trust and Faith

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## UNIT IV

*Concept of Control, definitions, elements and process of control – steps in control, qualities of good control system. Tool of control – Business Budgeting, Management Accounting, Management Reports, PERT and CPM, Control techniques and Information Technology.*

**CONCEPT OF CONTROL:** Control is the last function of management. If there is imperfection in the planning and actual performance, control will be needed. The deviations are set right by the controlling function. This function ensures desired results. Planning identifies the activities and controlling regulates the activities. Success or failure of planning depends upon the result of success or failure of controlling. It is an important function because it helps to check the errors and to take the corrective action so that deviation from standards are minimized and stated goals of the organization are achieved in a desired manner.

Control is the process through which managers assure that actual activities conform to planned activities.

According to modern concepts, control is a foreseeing action whereas earlier concept of control was used only when errors were detected. Control in management means setting standards, measuring actual performance and taking corrective action.

### **DEFINITION OF CONTROL**

In the words of Koontz and O'Donnell - "Managerial control implies measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans."

According to EFL Brech, "Control is checking current performance against pre-determined standards contained in the plans, with a view to ensure adequate progress and satisfactory performance".

According to Harold Koontz, "Controlling is the measurement and correction of performance in order to make sure that enterprise objectives and the plans devised to attain them are accomplished".

According to Stafford Beer, "Management is the profession of control".



## **ELEMENTS OF CONTROL:** The four basic elements in a control system

1. The characteristic or condition to be controlled
2. The sensor
3. The comparator
4. The activator occur in the same sequence and maintain a consistent relationship to each other in every system.

**The first element is the characteristic or condition** of the operating system which is to be measured. We select a specific characteristic because a correlation exists between it and how the system is performing. The characteristic can be the output of the system during any stage of processing or it may be a condition that is the result of the system. For example, it may be the heat energy produced by the furnace or the temperature in the room which has changed because of the heat generated by the furnace. In an elementary school system, the hours a teacher works or the gain in knowledge demonstrated by the students on a national examination are examples of characteristics that may be selected for measurement, or control.

**The second element of control, the sensor,** is a means for measuring the characteristic or condition. For example, in a home heating system this device would be the thermostat, and in a quality-control system this measurement might be performed by a visual inspection of the product.

**The third element of control, the comparator,** determines the need for correction by comparing what is occurring with what has been planned. Some deviation from the plan is usual and expected, but when variations are beyond those considered acceptable, corrective action is required. It involves a sort of preventative action which indicates that good control is being achieved.

**The fourth element of control, the activator,** is the corrective action taken to return the system to its expected output. The actual person, device, or method used to direct corrective inputs into the operating system may take a variety of forms. It may be a hydraulic controller

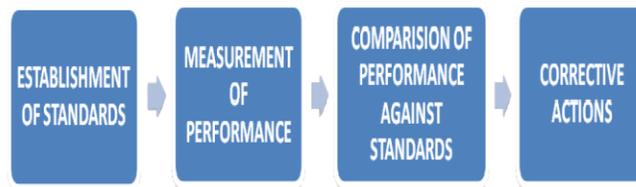


positioned by a solenoid or electric motor in response to an electronic error signal, an employee directed to rework the parts that failed to pass quality inspection, or a school principal who decides to buy additional books to provide for an increased number of students. As long as a plan is performed within allowable limits, corrective action is not necessary; however, this seldom occurs in practice.

Information is the medium of control, because the flow of sensory data and later the flow of corrective information allow a characteristic or condition of the system to be controlled. To illustrate how information flow facilitates control, let us review the elements of control in the context of information.

## PROCESS OF CONTROL

The basic control process involves mainly these steps as shown in Figure



### 1. Establishing Standards

- i. **Measurable or tangible (Output Standards):** Standards can be measured and expressed quantitatively are called as measurable standards. They can be in form of cost, output, expenditure, time, profit, etc.
- ii. **Non-measurable or intangible (Input Standards):** There are standards which cannot be measured quantitatively. For example- performance of a manager, deviation of workers, their attitudes towards a concern. These are called as intangible standards.

2. **Measuring Actual Performance:** Measurements must be accurate enough to spot deviations or variances between what really occurs and what is most desired. Without measurement, effective control is not possible.



3. **Comparing Actual With Standard:** Deviation is as the gap between actual performance and the planned targets. 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.
4. **Correction of Deviation:** Taking any action necessary to correct or improve things. There are two types of exceptions:
  - i. **Problems** - below standard
  - ii. **Opportunities** - above standard

### STEPS IN CONTROL

The steps involved in quality control process are

- 1) Determine what parameter is to be controlled.
- 2) Establish its criticality and whether you need to control before, during or after results are produced.
- 3) Establish a specification for the parameter to be controlled which provides limits of acceptability and units of measure.
- 4) Produce plans for control which specifies the means by which the characteristics will be achieved and variation detected and removed.
- 5) Organize resources to implement the plans for quality control.
- 6) Install a sensor at an appropriate point in the process to sense variance from specification.
- 7) Collect and transmit data to a place for analysis.
- 8) Verify the results and diagnose the cause of variance.
- 9) Propose remedies and decide on the action needed to restore the status quo.



10) Take the agreed action and check that the variance has been corrected.

## **QUALITIES OF GOOD CONTROL SYSTEM:**

Controls at every level focus on inputs, processes and outputs. It is very important to have effective controls at each of these three stages. Effective control systems tend to have certain common characteristics. The importance of these characteristics varies with the situation, but in general effective control systems have following characteristics.

**1. Accuracy:** Effective controls generate accurate data and information. Accurate information is essential for effective managerial decisions. Inaccurate controls would divert management efforts and energies on problems that do not exist or have a low priority and would fail to alert managers to serious problems that do require attention.

**2. Timeliness:** There are many problems that require immediate attention. If information about such problems does not reach management in a timely manner, then such information may become useless and damage may occur. Accordingly controls must ensure that information reaches the decision makers when they need it so that a meaningful response can follow.

**3. Flexibility:** The business and economic environment is highly dynamic in nature. Technological changes occur very fast. A rigid control system would not be suitable for a changing environment. These changes highlight the need for flexibility in planning as well as in control. Strategic planning must allow for adjustments for unanticipated threats and opportunities. Similarly, managers must make modifications in controlling methods, techniques and systems as they become necessary. An effective control system is one that can be updated quickly as the need arises.

**4. Acceptability:** Controls should be such that all people who are affected by it are able to understand them fully and accept them. A control system that is difficult to understand can cause unnecessary mistakes and frustration and may be resented by workers. Accordingly, employees must agree that such controls are necessary and appropriate and will not have any negative effects on their efforts to achieve their personal as well as organizational goals.



**5. Integration:** When the controls are consistent with corporate values and culture, they work in harmony with organizational policies and hence are easier to enforce. These controls become an integrated part of the organizational environment and thus become effective.

**6. Economic feasibility:** The cost of a control system must be balanced against its benefits. The system must be economically feasible and reasonable to operate. For example, a high security system to safeguard nuclear secrets may be justified but the same system to safeguard office supplies in a store would not be economically justified. Accordingly the benefits received must outweigh the cost of implementing a control system.

**7. Strategic placement:** Effective controls should be placed and emphasized at such critical and strategic control points where failures cannot be tolerated and where time and money costs of failures are greatest. The objective is to apply controls to the essential aspect of a business where a deviation from the expected standards will do the greatest harm. These control areas include production, sales, finance and customer service.

**8. Corrective action:** An effective control system not only checks for and identifies deviation but also is programmed to suggest solutions to correct such a deviation. For example, a computer keeping a record of inventories can be programmed to establish “if-then” guidelines. For example, if inventory of a particular item drops below five percent of maximum inventory at hand, then the computer will signal for replenishment for such items.

**9. Emphasis on exception:** A good system of control should work on the exception principle, so that only important deviations are brought to the attention of management, In other words, management does not have to bother with activities that are running smoothly. This will ensure that managerial attention is directed towards error and not towards conformity. This would eliminate unnecessary and uneconomic supervision, marginally beneficial reporting and a waste of managerial time.

### **Tools in Management Control Systems (MCS)**

There are various tools employed in Management Control Systems (MCS), which include, but not limited to the following;



- Balanced scorecard
- TQM
- Kaizen (Continuous Improvement)
- Activity-based costing
- Target costing
- Benchmarking and Bench trending
- JIT
- Budgeting
- Capital budgeting
- Program management techniques, etc.

## **BUSINESS BUDGETING**

A budget is a statement of anticipated results during a designated time period expressed in financial and non-financial terms. Budgets cover a designated time period - usually a year. At stated intervals during that time period, actual performance is compared directly with the budget targets and deviations are quickly detected and acted upon. E.g. of Budgets: Sales budget, production budget, capital expenditure budget, cash budget, master budget etc.

### **a) BASED ON TIME PERIOD:**

**(i) Long Term Budget:** Budgets which are prepared for periods longer than a year are called Long-term Budgets. Such Budgets are helpful in business forecasting and forward planning. Eg., Capital Expenditure Budget and R&D Budget.

**(ii) Short Term Budget:** Budgets which are prepared for periods less than a year are known as Short-term Budgets. Such Budgets are prepared in cases where a specific action has to be immediately taken to bring any variation under control. Eg., Cash Budget.

### **b) BASED ON CONDITION:**



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(i) **Basic Budget:** A Budget, which remains unaltered over a long period of time, is called Basic Budget.

(ii) **Current Budget:** A Budget, which is established for use over a short period of time and is related to the current conditions, is called Current Budget.

c) **BASED ON CAPACITY:**

(i) **Fixed Budget:** It is a Budget designed to remain unchanged irrespective of the level of activity actually attained. It operates on one level of activity and less than one set of conditions. It assumes that there will be no change in the prevailing conditions, which is unrealistic.

(ii) **Flexible Budget:** It is a Budget, which by recognizing the difference between fixed, semi variable and variable costs is designed to change in relation to level of activity attained. It consists of various budgets for different levels of activity

d) **BASED ON COVERAGE:**

(i) **Functional Budget:** Budgets, which relate to the individual functions in an organization, are known as Functional Budgets, e.g. purchase Budget, Sales Budget, Production Budget, plant Utilization Budget and Cash Budget.

(ii) **Master Budget:** It is a consolidated summary of the various functional budgets. It serves as the basis upon which budgeted Profit & Loss Account and forecasted Balance Sheet are built up.

## **BUDGETARY CONTROL TECHNIQUES**

The various types of budgets are as follows

i) **Revenue and Expense Budgets:** The most common budgets spell out plans for revenues and operating expenses in rupee terms. The most basic of revenue budget is the sales budget which is



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a formal and detailed expression of the sales forecast. The revenue from sales of products or services furnishes the principal income to pay operating expenses and yield profits. Expense budgets may deal with individual items of expense, such as travel, data processing, entertainment, advertising, telephone, and insurance.

**ii) Time, Space, Material, and Product Budgets:** Many budgets are better expressed in quantities rather than in monetary terms. e.g. direct-labor-hours, machine-hours, units of materials, square feet allocated, and units produced. The Rupee cost would not accurately measure the resources used or the results intended.

**iii) Capital Expenditure Budgets:** Capital expenditure budgets outline specifically capital expenditures for plant, machinery, equipment, inventories, and other items. These budgets require care because they give definite form to plans for spending the funds of an enterprise. Since a business takes a long time to recover its investment in plant and equipment, (Payback period or gestation period) capital expenditure budgets should usually be tied in with fairly long-range planning.

**iv) Cash Budgets:** The cash budget is simply a forecast of cash receipts and disbursements against which actual cash "experience" is measured. The availability of cash to meet obligations as they fall due is the first requirement of existence, and handsome business profits do little good when tied up in inventory, machinery, or other noncash assets.

**v) Variable Budget:** The variable budget is based on an analysis of expense items to determine how individual costs should vary with volume of output. Some costs do not vary with volume, particularly in so short a period as 1 month, 6 months, or a year. Among these are depreciation, property taxes and insurance, maintenance of plant and equipment, and costs of keeping a minimum staff of supervisory and other key personnel. Costs that vary with volume of output range from those that are completely variable to those that are only slightly variable. The task of variable budgeting involves selecting some unit of measure that reflects volume; inspecting the various categories of costs (usually by reference to the chart of accounts); and, by statistical



studies, methods of engineering analyses, and other means, determining how these costs should vary with volume of output.

**vi) Zero Based Budget:** The idea behind this technique is to divide enterprise programs into "packages" composed of goals, activities, and needed resources and then to calculate costs for each package from the ground up. By starting the budget of each package from base zero, budgeters calculate costs afresh for each budget period; thus they avoid the common tendency in budgeting of looking only at changes from a previous period.

## **NON-BUDGETARY CONTROL TECHNIQUES**

There are, of course, many traditional control devices not connected with budgets, although some may be related to, and used with, budgetary controls. Among the most important of these are: statistical data, special reports and analysis, analysis of break- even points, the operational audit, and the personal observation.

**i) Statistical data:** Statistical analyses of innumerable aspects of a business operation and the clear presentation of statistical data, whether of a historical or forecast nature are, of course, important to control. Some managers can readily interpret tabular statistical data, but most managers prefer presentation of the data on charts.

**ii) Break- even point analysis:** An interesting control device is the break even chart. This chart depicts the relationship of sales and expenses in such a way as to show at what volume revenues exactly cover expenses.

**iii) Operational audit:** Another effective tool of managerial control is the internal audit or, as it is now coming to be called, the operational audit. Operational auditing, in its broadest sense, is the regular and independent appraisal, by a staff of internal auditors, of the accounting, financial, and other operations of a business.

**iv) Personal observation:** In any preoccupation with the devices of managerial control, one should never overlook the importance of control through personal observation.



v) **PERT:** The Program (or Project) Evaluation and Review Technique, commonly abbreviated PERT, is a method to analyze the involved tasks in completing a given project, especially the time needed to complete each task, and identifying the minimum time needed to complete the total project.

vi) **CPM:** A critical path consists of that set of dependent tasks (each dependent on the preceding one), which together take the longest time to complete. A CPM chart can define multiple, equally critical paths. The tasks, which fall on the critical path, should be noted in some way, so that they may be given special attention. One way is to draw critical path tasks with a double line instead of a single line. Tasks, which fall on the critical path, should receive special attention by both the project manager and the personnel assigned to them. The critical path for any given method may shift as the project progresses; this can happen when tasks are completed either behind or ahead of schedule, causing other tasks which may still be on schedule to fall on the new critical path.

vii) **GANTT CHART:** A Gantt chart is a type of bar chart that illustrates a project schedule. Gantt charts illustrate the start and finish dates of the terminal elements and summary elements of a project. Terminal elements and summary elements comprise the work breakdown structure of the project. Some Gantt charts also show the dependency (i.e., precedence network) relationships between activities.

## **CONTROL TECHNIQUES:**

### **Techniques of Managerial Control: Traditional and Modern Techniques!**

**1. Traditional Techniques:** Traditional techniques refer to the techniques that have been used by business organisation for longer period of time and are still in use. Such techniques are: a. Personal Observation, b. Statistical Reports, c. Breakeven Analysis and d. Budgetary Control.

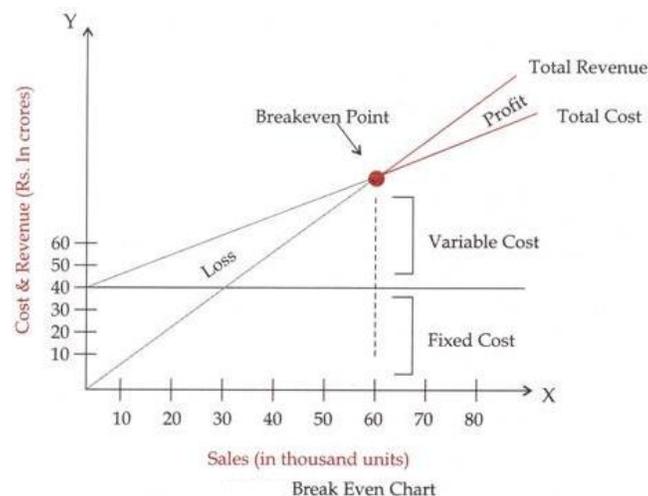


(a) **Personal Observation:** This is the most traditional technique of control. It helps a manager to collect first hand information about the performance of the employees. It also creates psychological pressure on the employees to improve their performance as they are aware that they are being observed personally by the manager. However, this technique is not to be effectively used in all kinds of jobs as it is very time consuming.

(b) **Statistical Reports:** Statistical analysis in the form of percentages, ratios, averages etc. in different areas provides useful information regarding performance of an organisation to its managers. When such information is presented in the form of tables, graphs, charts etc., it facilitates comparison of performance with the standards laid and with previous years' performance.

(c) **Breakeven Analysis:** The technique used by managers to study the relationship between sales volume, costs and profit is known as Breakeven Analysis. This technique helps the managers in estimating profits at different levels of activities. The following figure shows breakeven chart of a firm. The point at which the total revenue and total cost curves intersect is breakeven point. The figure shows that the firm will have the breakeven point at 60,000 units of output. At this point, there is neither profit nor loss. The firm starts earning profit beyond this point.

$$\text{Breakeven Point} = \text{Fixed Cost} / (\text{Selling price per unit} - \text{Variable cost per unit}).$$



Through breakeven analysis, a firm can keep a check on its variable cost and can also determine the level of activity at which it can earn its profit target.



**(d) Budgetary Control:** Under this technique, different budgets are prepared for different operations in an organisation in advance. These budgets act as standards for comparing them with actual performance and taking necessary actions for attaining organisational goals.

**2. Modern Techniques:** Modern techniques are those techniques which are very new in management world. These techniques provide various new aspects for controlling the activities of an organisation. These techniques are as follows: (a) Return on Investment, (b) Ratio Analysis, (c) Responsibility Accounting, (d) Management Audit, (e) PERT and CPM and (f) Management Information System.

**(a) Return on Investment:** Return on investment is very useful technique for determining whether the capital invested in the business has been effectively used or not for generating reasonable amount of return.

Return on Investment =  $(\text{Net Income} / \text{Total Investment}) \times 100$  Net Income before or after tax can be used for calculating ROI. Total investment includes investment in fixed Assets as well as working capital. It acts as an effective control device in measuring and comparing the performance of different departments. It also helps departmental managers to find out the problems which adversely affect ROI.

**(b) Ratio Analysis:** Ratio Analysis is a technique of analyzing the financial statements of a business firm by computing different ratios.

The most commonly used ratios have been grouped under following categories:

**(i) Liquidity Ratios:** Liquidity ratios are calculated to know short term financial position of business and its ability to pay short term liabilities. It includes current ratio and quick ratio.

a. Current Ratio =  $\text{Current Assets} / \text{Current Liabilities}$

b. Quick Ratio =  $\text{Cash} + \text{Bills Receivable} / \text{Current Liabilities}$

**(ii) Solvency Ratios:** Solvency ratios are calculated to know long term solvency of the business and its ability to pay its long term debts. It includes debt equity ratio, proprietary ratio, interest coverage ratio etc.

a. Debt Equity Ratio =  $\text{Debt} / \text{Equity Share Holders Fund}$



b. Proprietary Ratio = Shareholders fund/Total Assets

**(iii) Profitability Ratios:** Profitability ratios like gross profit ratio, net profit ratio, operating ratio, etc. help to analyze the profitability position of a business.

a. Gross Profit Ratio =  $\frac{\text{Gross Profit}}{\text{Net Sales}} \times 100$

b. Net Profit Ratio =  $\frac{\text{Net Profit}}{\text{Net Sales}} \times 100$

**(iv) Turnover Ratios:** The various turnover ratios like Inventory turnover ratio, debtors turnover ratio, fixed assets turnover ratio etc. help in knowing whether the resources are effectively used for increasing the efficiency of operations of business or not. Higher turnover indicates better utilization of resources.

a. Inventory Turnover Ratio =  $\frac{\text{Cost of goods sold}}{\text{Average Stock}}$

b. Debtors Turnover Ratio =  $\frac{\text{Net Credit Sales}}{\text{Average Accounts Receivables}}$

**(c) Responsibility Accounting:** Under this system of accounting, various sections, departments or divisions of an organisation are set up as 'Responsibility Centers'. Each centre has a head that is responsible for attaining the target of his centre.

The various responsibility centres' are as follows:

**(i) Cost Centre:** Cost centre, also known as expense centre, refers to a department of an organisation whose manager is held responsible for the cost incurred in the centre but not the revenues. For example, Production department of an organisation may be classified as Cost Centre.

**(ii) Revenue Centre:** A revenue centre refers to a department which is responsible for generating revenues. For example, marketing department.

**(iii) Profit Centre:** A profit centre refers to a department whose manager is responsible for both cost and revenues. For example, Repair and Maintenance department.

**(iv) Investment Centre:** An investment centre is responsible for profits as well as investments made in the form of assets. For judging the performance of investment



centre, return on investment (ROI) is calculated and compared with similar data for previous years for one's own centre as well as other similar enterprises. It is also compared with current data of competing enterprises.

**(d) Management Audit:** Management Audit is a process of judging the overall performance of the management of an organisation. It aims at reviewing the efficiency and effectiveness of management and improving its future performance. Its basic purpose is to identify the deficiencies in the performance of management functions. It also ensures updating of existing managerial policies.

**Following are the main advantages of management audit:**

(i) It identifies the deficiencies in the performance of management functions. (ii) It helps in improving coordination among the functions of various departments. (iii) It ensures required modification in the existing managerial policies and techniques according to environmental changes and (iv) The continuous monitoring of the performance of management helps in improving control system. There is no proper technique of management audit and also it is not compulsory under any law.

**(e) PERT and CPM: PERT (Programme Evaluation and Review Technique) and CPM (Critical Path Method)** are two important techniques used in both planning and controlling. These techniques are used to compute the total expected time needed to complete a project & it can identify the bottleneck activities that have a critical effect on the project completion date. Such techniques are mainly used in areas like construction projects, aircraft manufacture, ship building etc.

The various steps involved in using these techniques are as follows:

(i) The project is first divided into various activities and then these activities are arranged in a logical sequence.

(ii) A network diagram is prepared showing the sequence of activities.

(iii) Time estimates are laid down for each activity.



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PERT prepares three time estimates –

- (i) Optimistic (shortest time)
- (ii) Most likely time and
- (iii) Pessimistic (longest time).

In CPM, only one time estimate is prepared. Along with this, CPM also lays down the cost estimates for completing the project.

(iv) The most critical path in the network is the longest path. Longest path consists of those activities which are critical for completing the project on time; hence the name CPM.

(v) If required, necessary changes are made in the plan for completing the project on time.

**(f) Management Information System (MIS):** It is a computer based information system which provides accurate, timely and up-to-date information to the managers for taking various managerial decisions. Thus, it is an important communication tool as well as an important control technique. It provides timely information to the managers so that they can take appropriate corrective measures in case of deviations from standards.

**Advantages of management information system are as follows:**

(a) It provides only relevant information to the managers thus saving them from information overload. (b) It facilitates collection and management of information at different levels and departments of the organisation. (c) It helps in planning, controlling and decision making at all levels of an organisation. (d) It helps in improving the quality of information. (e) It ensures cost effectiveness by providing all important information to the management in time.

**(ii) Taking Corrective Action:** The final step in the process of controlling involves taking corrective action. If the deviations are within acceptable limits no corrective measure is required.



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## Unit – V

*The Evolution of Management Theory – The Scientific Management Schools: F.W. Taylor, Henry L.Gantt, The Gilberths – Classical Organisation Theory school: Henri Fayol, Max Weber, Mary Parker Follet – The Behavioural School : Elton Mayo, Abraham Maslow, Douglas McGregor – The Management Science School, Operations Research – The Systems Approach meaning and concepts. Peter Drucker and his ideas on management.*

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### THE EVOLUTION OF MANAGEMENT THEORY

The practice of management is as old as human civilization. The ancient civilizations of Egypt (the great pyramids), Greece (leadership and war tactics of Alexander the great) and Rome displayed the marvelous results of good management practices. The origin of management as a discipline was developed in the late 19<sup>th</sup> century. Over time, management thinkers have sought ways to organize and classify the voluminous information about management that has been collected and disseminated. These attempts at classification have resulted in the identification of management approaches. The approaches of management are theoretical frameworks for the study of management. Each of the approaches of management is based on somewhat different assumptions about human beings and the organizations for which they work.

The different approaches of management are

- a) Classical approach,
- b) Behavioral approach,
- c) Quantitative approach,
- d) Systems approach, and
- e) Contingency approach.

The formal study of management is largely a twentieth-century phenomenon, and to some degree the relatively large number of management approaches reflects a lack of consensus among management scholars about basic questions of theory and practice.



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**a) THE CLASSICAL APPROACH:** The classical approach is the oldest formal approach of management thought. Its roots pre-date the twentieth century. The classical approach of thought generally concerns ways to manage work and organizations more efficiently. Three areas of study that can be grouped under the classical approach are scientific management, administrative management, and bureaucratic management.

**(i) Scientific Management:** Frederick Winslow Taylor was an American mechanical engineer who sought to improve industrial efficiency. He was one of the first management consultants. Taylor was one of the intellectual leaders of the Efficiency Movement and his ideas, broadly conceived, were highly influential in the Progressive Era (1890s - 1920s). Taylor summed up his efficiency techniques in his 1911 book *The Principles of Scientific Management*, which in 2001 Fellows of the Academy of Management voted the most influential management book of the twentieth century. His pioneering work in applying engineering principles to the work done on the factory floor was instrumental in the creation and development of the branch of engineering that is now known as industrial engineering. Taylor made his name in, and was most proud of his work in, scientific management; however, he made his fortune patenting steel - process improvements.

The scientific method consists essentially of (a) Observation, (b) Measurement, (c) Experimentation and (d) Inference.

He advocated a thorough planning of the job by the management and emphasized the necessity of perfect understanding and co-operation between the management and the workers both for the enlargement of profits and the use of scientific investigation and knowledge in industrial work. He summed up his approach in these words: Science, not rule of thumb, Harmony, not discord, Co-operation, not individualism, Maximum output, in place of restricted output and the development of each man to his greatest efficiency and prosperity.

**(ii) Administrative Management:** Administrative management focuses on the management process and principles of management. In contrast to scientific management, which deals largely with jobs and work at the individual level of analysis, administrative management provides a



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more general theory of management. Henry Fayol is the major contributor to this approach of management thought. The Principles of Management are the essential, underlying factors that form the foundations of successful management. According to Henri Fayol in his book *General and Industrial Management* (1916), there are fourteen 'Principles of Management'.

**(iii) Bureaucratic Management:** Bureaucratic management focuses on the ideal form of organization. Max Weber was the major contributor to bureaucratic management. Based on observation, Weber concluded that many early organizations were inefficiently managed, with decisions based on personal relationships and loyalty. He proposed that a form of organization, called a bureaucracy, characterized by division of labor, hierarchy, formalized rules, impersonality, and the selection and promotion of employees based on ability, would lead to more efficient management. Weber also contended that managers' authority in an organization should be based not on tradition or charisma but on the position held by managers in the organizational hierarchy.

**b) THE BEHAVIORAL APPROACH:** The behavioral approach of management thought developed, in part, because of perceived weaknesses in the assumptions of the classical approach. The classical approach emphasized efficiency, process, and principles. Some felt that this emphasis disregarded important aspects of organizational life, particularly as it related to human behavior. Thus, the behavioral approach focused on trying to understand the factors that affect human behavior at work.

**(i) Human Relations:** The Hawthorne Experiments began in 1924 and continued through the early 1930s. A variety of researchers participated in the studies, including Elton Mayo. One of the major conclusions of the Hawthorne studies was that workers' attitudes are associated with productivity. Another was that the workplace is a social system and informal group influence could exert a powerful effect on individual behavior. A third was that the style of supervision is an important factor in increasing workers' job satisfaction.

**(ii) Behavioral Science:** Behavioral science and the study of organizational behavior emerged in the 1950s and 1960s. The behavioral science approach was a natural progression of



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the human relations movement. It focused on applying conceptual and analytical tools to the problem of understanding and predicting behavior in the workplace. The behavioral science approach has contributed to the study of management through its focus on personality, attitudes, values, motivation, group behavior, leadership, communication, and conflict, among other issues.

**c) THE QUANTITATIVE APPROACH:** The quantitative approach focuses on improving decision making via the application of quantitative techniques. Its roots can be traced back to scientific management.

**(i) Management Science (Operations Research):** Management science (also called operations research) uses mathematical and statistical approaches to solve management problems. It developed during World War II as strategists tried to apply scientific knowledge and methods to the complex problems of war. Industry began to apply management science after the war. The advent of the computer made many management science tools and concepts more practical for industry.

**(ii) Production and Operations Management:** This approach focuses on the operation and control of the production process that transforms resources into finished goods and services. It has its roots in scientific management but became an identifiable area of management study after World War II. It uses many of the tools of management science. Operations management emphasizes productivity and quality of both manufacturing and service organizations. W.Edwards Deming exerted a tremendous influence in shaping modern ideas about improving productivity and quality. Major areas of study within operations management include capacity planning, facilities location, facilities layout, materials requirement planning, scheduling, purchasing and inventory control, quality control, computer integrated manufacturing, just – in - time inventory systems, and flexible manufacturing systems.

**d) SYSTEMS APPROACH:** The systems approach focuses on understanding the organization as an open system that transforms inputs into outputs. The systems approach began to have a strong impact on management thought in the 1960s as a way of thinking about managing techniques that would allow managers to relate different specialties and parts of the company to



one another, as well as to external environmental factors. The systems approach focuses on the organization as a whole, its interaction with the environment, and its need to achieve equilibrium

**e) CONTINGENCY APPROACH:** The contingency approach focuses on applying management principles and processes as dictated by the unique characteristics of each situation. It emphasizes that there is no one best way to manage and that it depends on various situational factors, such as the external environment, technology, organizational characteristics, characteristics of the manager, and characteristics of the subordinates. Contingency theorists often implicitly or explicitly criticize the classical approach for its emphasis on the universality of management principles; however, most classical writers recognized the need to consider aspects of the situation when applying management principles.

MANAGEMENT APPROACHES	BEGINNING DATES	EMPHASIS
<b>CLASSICAL APPROACH:</b>		
Scientific Management	1880s	Traditional rules of thumb are replaced by precise procedures developed after careful study of an individual at work.
Administrative Management	1940s	Gives idea about the primary functions of management and The Fourteen Principles of Administration.
Bureaucratic Management	1920s	Replaces traditional leadership and charismatic leadership with legal leadership
<b>BEHAVIORAL APPROACH:</b>		
Human Relations	1930s	Workers' attitudes are associated with productivity.
Behavioral Science	1950s	Gives idea to understand human behavior in the organization.
<b>QUANTITATIVE APPROACH:</b>		
Management Science (Operation research)	1940s	Uses mathematical and statistical approaches to solve management problems.
Production and Operations Management	1940s	This approach focuses on the operation and control of the production process that transforms resources into finished goods and services.

<b>RECENT DEVELOPMENTS:</b>		
<b>SYSTEMS APPROACH</b>	1950s	Considers the organization as a system that transforms inputs into outputs while in constant interaction with its environment.
<b>CONTINGENCY APPROACH</b>	1960s	Applies management principles and processes as dictated by the unique characteristics of each situation



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## I. The Scientific Management Schools

### 1. Frederick Winslow Taylor (March 20, 1856 – March 21, 1915)

He was an American mechanical engineer who sought to improve industrial efficiency. He was one of the first management consultants. Taylor was one of the intellectual leaders of the Efficiency Movement and his ideas, broadly conceived, were highly influential in the Progressive Era (1890s-1920s). Taylor summed up his efficiency techniques in his 1911 book *The Principles of Scientific Management*, which in 2001 *Fellows of the Academy of Management* voted the most influential management book of the twentieth century. His pioneering work in applying engineering principles to the work done on the factory floor was instrumental in the creation and development of the branch of engineering that is now known as industrial engineering. Taylor made his name in, and was most proud of his work in, scientific management; however, he made his fortune patenting steel-process improvements. Taylor was also an athlete who competed nationally in tennis and golf.

Taylor was born in 1856 to a Quaker family in Germantown, Philadelphia, Pennsylvania. Taylor's father, Franklin Taylor, a Princeton-educated lawyer, built his wealth on mortgages. Taylor's mother, Emily Annette Taylor, was an ardent abolitionist and a coworker with Lucretia Mott. Educated early by his mother, Taylor studied for two years in France and Germany and traveled Europe for 18 months. In 1872, he entered Phillips Exeter Academy in Exeter, New Hampshire, with the plan of eventually going to Yale and becoming a lawyer like his father. In 1874, Taylor passed the Yale entrance examinations with honors. However, due allegedly to rapidly deteriorating eyesight, Taylor chose quite a different path. Instead of attending Yale University, Taylor became an apprentice patternmaker and machinist, gaining shop-floor experience at Enterprise Hydraulic Works in Philadelphia (a pump-manufacturing company whose proprietors were friends of the Taylor family). He left his apprenticeship for six months and represented a group of New England machine-tool manufacturers at Philadelphia's centennial exposition. Taylor finished his four-year apprenticeship and in 1878 became a machine-shop laborer at Midvale Steel Works. At Midvale, he was quickly promoted to time clerk, journeyman machinist, gang boss over the lathe



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hands, machine shop foreman, research director, and finally chief engineer of the works (while maintaining his position as machine shop foreman). Taylor's fast promotions reflected both his talent and his family's relationship with Edward Clark, part owner of Midvale Steel. (Edward Clark's son Clarence Clark, who was also a manager at Midvale Steel, married Taylor's sister.)

Early on at Midvale, working as a laborer and machinist, Taylor recognized that workmen were not working their machines, or themselves, nearly as hard as they could (which at the time was called "soldiering") and that this resulted in high labor costs for the company. When he became a foreman he expected more output from the workmen. In order to determine how much work should properly be expected, he began to study and analyze the productivity of both the men and the machines (although the word "productivity" was not used at the time and the applied science of productivity had not yet been developed). His focus on the human component of production Taylor labeled scientific management.

While Taylor worked at Midvale, he and Clarence Clark won the first tennis doubles tournament in the 1881 US National Championships, the precursor of the US Open. Taylor became a student of Stevens Institute of Technology, studying via correspondence and obtaining a degree in mechanical engineering in 1883. On May 3, 1884, he married Louise M. Spooner of Philadelphia.

From 1890 until 1893 Taylor worked as a general manager and a consulting engineer to management for the Manufacturing Investment Company of Philadelphia, a company that operated large paper mills in Maine and Wisconsin. He was a plant manager in Maine. In 1893, Taylor opened an independent consulting practice in Philadelphia. His business card read "Consulting Engineer - Systematizing Shop Management and Manufacturing Costs a Specialty". Through these consulting experiences, Taylor perfected his management system. His first paper, A Piece Rate System, was presented to the American Society of Mechanical Engineers (ASME) in June 1895.

In 1898 he joined Bethlehem Steel to solve an expensive machine-shop capacity problem. Mr. Taylor had around one hundred patents. His best known and profitable invention was the discovery between 1898 and 1900, jointly with Maunsel White, of a process for treating tungsten steel. The inventors received \$100,000 (equivalent to \$2.5 million today) for the English patents



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alone. Taylor-White high speed steel paved the way for greatly increased mass production. However, Taylor was forced to leave Bethlehem Steel in 1901 after discord with other managers.

After leaving Bethlehem Steel, Taylor focused the remainder of his career promoting his management and machining methods through lecturing, writing, and consulting. In 1910, owing to the Eastern Rate Case, Frederick Winslow Taylor and his Scientific Management methodologies become famous worldwide. In 1911, Taylor introduced his The Principles of Scientific Management paper to the ASME, eight years after his Shop Management paper.

On October 19, 1906, Taylor was awarded an honorary degree of Doctor of Science by the University of Pennsylvania. Taylor eventually became a professor at the Tuck School of Business at Dartmouth College. In early spring of 1915 Taylor caught pneumonia and died, one day after his fifty-ninth birthday, on March 21, 1915. He was buried in West Laurel Hill Cemetery, in Bala Cynwyd, Pennsylvania.

Taylor was a mechanical engineer who sought to improve industrial efficiency. Taylor is regarded as the **father of scientific management**, and was one of the first management consultants and director of a famous firm.

Frederick W. Taylor was the first man in recorded history that deemed work deserving of systematic observation and study. On Taylor's 'scientific management' rests, above all, the tremendous surge of affluence in the last seventy-five years which has lifted the working masses in the developed countries well above any level recorded before, even for the well-to-do. Taylor, though the Isaac Newton (or perhaps the Archimedes) of the science of work, laid only first foundations, however. Not much has been added to them since – even though he has been dead all of sixty years.

**Taylor's scientific management consisted of four principles:**

1. Replace rule-of-thumb work methods with methods based on a scientific study of the tasks.
2. Scientifically select, train, and develop each employee rather than passively leaving them to train themselves.



3. Provide "Detailed instruction and supervision of each worker in the performance of that worker's discrete task".
4. Divide work nearly equally between managers and workers, so that the managers apply scientific management principles to planning the work and the workers actually perform the tasks.

**Elements of Scientific Management:** The techniques which Taylor regarded as its essential elements or features may be classified as under:

- i. Scientific Task and Rate-setting, work improvement, etc.
- ii. Planning the Task.
- iii. Vocational Selection and Training
- iv. Standardization (of working conditions, material equipment etc.)
- v. Specialization
- vi. Mental Revolution.

i. **Scientific Task and Rate-Setting (work study):** Work study may be defined as the systematic, objective and critical examination of all the factors governing the operational efficiency of any specified activity in order to effect improvement. It includes,

(a) **Methods Study:** The management should try to ensure that the plant is laid out in the best manner and is equipped with the best tools and machinery. The possibilities of eliminating or combining certain operations may be studied.

(b) **Motion Study:** It is a study of the movement, of an operator (or even of a machine) in performing an operation with the purpose of eliminating useless motions.

(c) **Time Study (work measurement):** The basic purpose of time study is to determine the proper time for performing the operation. Such study may be conducted after the motion study. Both time study and motion study help in determining the best method of doing a job and the standard time allowed for it.



(d) **Fatigue Study:** If, a standard task is set without providing for measures to eliminate fatigue, it may either be beyond the workers or the workers may over strain themselves to attain it. It is necessary, therefore, to regulate the working hours and provide for rest pauses at scientifically determined intervals.

(e) **Rate-setting:** Taylor recommended the differential piece wage system, under which workers performing the standard task within prescribed time are paid a much higher rate per unit than inefficient workers who are not able to come up to the standard set.

ii. **Planning the Task:** Having set the task which an average worker must strive to perform to get wages at the higher piece-rate, necessary steps have to be taken to plan the production thoroughly so that there is no bottleneck and the work goes on systematically.

iii. **Selection and Training:** Scientific Management requires a radical change in the methods and procedures of selecting workers. It is therefore necessary to entrust the task of selection to a central personnel department. The procedure of selection will also have to be systematized. Proper attention has also to be devoted to the training of the workers in the correct methods of work.

iv. **Standardization:** Standardization may be introduced in respect of the following.

(a) **Tools and equipment:** By standardization is meant the process of bringing about uniformity. The management must select and store standard tools and implements which will be nearly the best or the best of their kind.

(b) **Speed:** There is usually an optimum speed for every machine. If it is exceeded, it is likely to result in damage to machinery.

(c) **Conditions of Work:** To attain standard performance, the maintenance of standard conditions of ventilation, heating, cooling, humidity, floor space, safety etc., is very essential.



(d) **Materials:** The efficiency of a worker depends on the quality of materials and the method of handling materials.

v. **Specialization:** Scientific management will not be complete without the introduction of specialization. Under this plan, the two functions of 'planning' and 'doing' are separated in the organization of the plant.

The 'functional foremen' are specialists who join their heads to give thought to the planning of the performance of operations in the workshop. Taylor suggested eight functional foremen under his scheme of functional foremanship.

(a) **The Route Clerk:** To lay down the sequence of operations and instruct the workers concerned about it.

(b) **The Instruction Card Clerk:** To prepare detailed instructions regarding different aspects of work.

(c) **The Time and Cost Clerk:** To send all information relating to their pay to the workers and to secure proper returns of work from them.

(d) **The Shop Disciplinarian:** To deal with cases of breach of discipline and absenteeism.

(e) **The Gang Boss:** To assemble and set up tools and machines and to teach the workers to make all their personal motions in the quickest and best way.

(f) **The Speed Boss:** To ensure that machines are run at their best speeds and proper tools are used by the workers.

(g) **The Repair Boss:** To ensure that each worker keeps his machine in good order and maintains cleanliness around him and his machines.

(h) **The Inspector:** To show to the worker how to do the work.



vi. **Mental Revolution:** At present, industry is divided into two groups – management and labour. The major problem between these two groups is the division of surplus. The management wants the maximum possible share of the surplus as profit; the workers want, as large share in the form of wages. Taylor has in mind the enormous gain that arises from higher productivity. Such gains can be shared both by the management and workers in the form of increased profits and increased wages.

Taylor used Brandeis's term in the title of his monograph *The Principles of Scientific Management*, published in 1911. The Eastern Rate Case propelled Taylor's ideas to the forefront of the management agenda. Taylor wrote to Brandeis "I have rarely seen a new movement started with such great momentum as you have given this one." Taylor's approach is also often referred to as Taylor's Principles, or, frequently disparagingly, as Taylorism.

#### **Managers and workers:**

- **Taylor had very precise ideas about how to introduce his system:** It is only through enforced standardization of methods, enforced adoption of the best implements and working conditions, and enforced cooperation that this faster work can be assured. And the duty of enforcing the adoption of standards and enforcing this cooperation rests with management alone.
- **Workers were to be selected appropriately for each task:** One of the very first requirements for a man who is fit to handle pig iron as a regular occupation is that he shall be so stupid and so phlegmatic that he more nearly resembles in his mental make-up the ox than any other type. The man who is mentally alert and intelligent is for this very reason entirely unsuited to what would, for him, be the grinding monotony of work of this character.

Taylor believed in transferring control from workers to management. He set out to increase the distinction between mental (planning work) and manual labor (executing work). Detailed plans, specifying the job and how it was to be done, were to be formulated by management and communicated to the workers.



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The introduction of his system was often resented by workers and provoked numerous strikes. The strike at Watertown Arsenal led to the congressional investigation in 1912. Taylor believed the laborer was worthy of his hire, and pay was linked to productivity. His workers were able to earn substantially more than those under conventional management, and this earned him enemies among the owners of factories where scientific management was not in use.

With the triumph of scientific management, unions would have nothing left to do, and they would have been cleansed of their most evil feature: the restriction of output. To underscore this idea, Taylor fashioned the myth that 'there has never been a strike of men working under scientific management', trying to give it credibility by constant repetition. In similar fashion he incessantly linked his proposals to shorter hours of work, without bothering to produce evidence of "Taylorized" firms that reduced working hours, and he revised his famous tale of Schmidt carrying pig iron at Bethlehem Steel at least three times, obscuring some aspects of his study and stressing others, so that each successive version made Schmidt's exertions more impressive, more voluntary and more rewarding to him than the last. Unlike [Harrington] Emerson, Taylor was not a charlatan, but his ideological message required the suppression of all evidence of worker's dissent, of coercion, or of any human motives or aspirations other than those his vision of progress could encompass.

Debate about Taylor's Bethlehem study of workers, particularly the stereotypical laborer named "Schmidt" continues to this day. One 2009 study contributes evidence of the truth of the assertions Taylor made regarding the quite substantial increase in productivity, for even the most basic task of picking up, carrying and dropping pigs of iron.

Taylor thought that by analyzing work, the "one best way" to do it would be found. He is most remembered for developing the stopwatch time study, which combined with Frank Gilbreth's motion study methods, later became the field of time and motion study. He broke a job into its component parts and measured each to the hundredth of a minute. One of his most famous studies involved shovels. He noticed that workers used the same shovel for all materials. He determined that the most effective load was 21½ lb, and found or designed shovels that for each material would scoop up that amount. He was generally unsuccessful in getting his concepts applied, and was dismissed from Bethlehem Iron Company/Bethlehem Steel Company.



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Nevertheless, Taylor was able to convince workers who used shovels and whose compensation was tied to how much they produced to adopt his advice about the optimum way to shovel by breaking the movements down into their component elements and recommending better ways to perform these movements. It was largely through the efforts of his disciples (most notably H.L. Gantt) that industry came to implement his ideas. Moreover, the book he wrote after parting company with the Bethlehem Company, *Shop Management*, sold well.

Taylor's own written works were designed for presentation to the American Society of Mechanical Engineers (ASME). These include *Notes on Belting* (1894), *A Piece-Rate System* (1895), *Shop Management* (1903), *Art of Cutting Metals* (1906), and *The Principles of Scientific Management* (1911).

Taylor was president of the ASME from 1906 to 1907. While president, he tried to implement his system into the management of the ASME but was met with much resistance. He was only able to reorganize the publications department and then only partially. He also forced out the ASME's long-time secretary, Morris L. Cooke, and replaced him with Calvin W. Rice. His tenure as president was trouble-ridden and marked the beginning of a period of internal dissension within the ASME during the Progressive Age.

In 1911, Taylor collected a number of his articles into a book-length manuscript, which he submitted to the ASME for publication. The ASME formed an ad hoc committee to review the text. The committee included Taylor allies such as James Mapes Dodge and Henry R. Towne. The committee delegated the report to the editor of the *American Machinist*, Leon P. Alford. Alford was a critic of the Taylor system and his report was negative. The committee modified the report slightly, but accepted Alford's recommendation not to publish Taylor's book. Taylor angrily withdrew the book and published *Principles* without ASME approval. Taylor published the trade book himself in 1912.

Taylor published several articles and books: *Shop management*, *The Principles of Scientific Management*, *A treatise on concrete, plain and reinforced: materials, construction, and design of concrete and reinforced concrete*, *Concrete costs*, "Notes on Belting," *Transactions of the American Society of Mechanical Engineers*, "A Piece-rate System" in: *The adjustment of wages to efficiency*; "Shop management," *Transactions of the American Society of Mechanical*



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Engineers 24, "On the Art of Cutting Metals," Transactions of the American Society of Mechanical Engineers.

## 2. Henry L Gantt

Henry Laurence Gantt, A.B., M.E. (May 20, 1861 – November 23, 1919) was an American mechanical engineer and management consultant who is best known for his work in the development of scientific management. He created the Gantt chart in the 1910s. His main focus was to apply scientific analysis to all facets of the work being done as a means of increasing productivity.

Gantt was born to a slave-owning plantation family in Calvert County, Maryland at the outbreak of the American Civil War. When the war ended the family lost their slaves and land, and moved to Baltimore.

He graduated from McDonogh School in 1878 and from Johns Hopkins University in 1880, and then returned to the McDonogh School to teach for three years. He subsequently received a Masters of Engineering degree in mechanical engineering from the Stevens Institute of Technology in New Jersey. Henry Gantt was married to Mary E. Snow of Fitchburg, Massachusetts on 29 Nov 1899.

In 1884 Gantt began working as a draughtsman at the iron foundry and machine-shop Poole & Hunt in Baltimore. In 1887 he joined Frederick W. Taylor in applying scientific management principles to the work at Midvale Steel and Bethlehem Steel, working there with Taylor until 1893. In his later career as a management consultant and following the invention of the Gantt chart, he designed the 'task and bonus' system of wage payment and additional measurement methods worker efficiency and productivity.

In 1916, influenced by Thorsten Veblen he set up the New Machine, an association which sought to apply the criteria of industrial efficiency to the political process. With the Marxist Walter Polakov he led a breakaway from the 1916 ASME conference to discuss Gantt's call for socializing industrial production under the control of managers incorporating Polakov's analysis of inefficiency in the industrial context.



Henry Gantt is listed under Stevens Institute of Technology alumni. The American Society of Mechanical Engineers (ASME) published his biography in 1934 and awards an annual medal in honor of Henry Laurence Gantt.

Henry Gantt's legacy to project management is the following:

- **The Gantt chart:** Still accepted as an important management tool today, it provides a graphic schedule for the planning and controlling of work, and recording progress towards stages of a project. The chart has a modern variation, Program Evaluation and Review Technique (PERT).
- **Industrial Efficiency:** Industrial efficiency can only be produced by the application of scientific analysis to all aspects of the work in progress. The industrial management role is to improve the system by eliminating chance and accidents.
- **The Task and Bonus System:** He linked the bonus paid to managers to how well they taught their employees to improve performance.
- **The social responsibility of business:** He believed that businesses have obligations to the welfare of the society in which they operate.

Gantt created many different types of charts. He designed his charts so that foremen or other supervisors could quickly know whether production was on schedule, ahead of schedule, or behind schedule. Modern project management software includes this critical function.

Gantt (1903) describes two types of balances:

- The "man's record", which shows what each worker should do and did do, and
- The "daily balance of work", which shows the amount of work to be done and the amount that is done.

Gantt gives an example with orders that will require many days to complete. The daily balance has rows for each day and columns for each part or each operation. At the top of each column is the amount needed. The amount entered in the appropriate cell is the number of parts done each day and the cumulative total for that part. Heavy horizontal lines indicate the starting date and the date that the order should be done. According to Gantt, the graphical daily balance



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is "a method of scheduling and recording work". In this 1903 article, Gantt also describes the use of "Production cards" for assigning work to each operator and recording how much was done each day.

In his 1916 book "Work, Wages, and Profits" Gantt explicitly discusses scheduling, especially in the job shop environment. He proposes giving to the foreman each day an "order of work" that is an ordered list of jobs to be done that day. Moreover, he discusses the need to coordinate activities to avoid "interferences". However, he also warns that the most elegant schedules created by planning offices are useless if they are ignored, a situation that he observed.

In his 1919 book "Organizing for Work" Gantt gives two principles for his charts:

- One, measure activities by the amount of time needed to complete them;
- Two, the space on the chart can be used to represent the amount of the activity that should have been done in that time.

Gantt shows a progress chart that indicates for each month of the year, using a thin horizontal line, the number of items produced during that month. In addition, a thick horizontal line indicates the number of items produced during the year. Each row in the chart corresponds to an order for parts from a specific contractor, and each row indicates the starting month and ending month of the deliveries. It is the closest thing to the Gantt charts typically used today in scheduling systems, though it is at a higher level than machine scheduling.

Gantt's machine record chart and man record chart are quite similar, though they show both the actual working time for each day and the cumulative working time for a week. Each row of the chart corresponds to an individual machine or operator. These charts do not indicate which tasks were to be done, however.

A novel method of displaying interdependencies of processes to increase visibility of production schedules was invented in 1896 by Karol Adamiecki, which was similar to the one defined by Gantt in 1903. However, Adamiecki did not publish his works in a language popular in the West; hence Gantt was able to popularize a similar method, which he developed around the years 1910 – 1915, and the solution became attributed to Gantt. With minor modifications, what originated as the Adamiecki's chart is now more commonly referred to as the Gantt chart.



Gantt published several articles and books: "The Efficiency of Fluid in Vapor Engines," in: Van Nostrand's engineering magazine, "A Bonus System of Rewarding Labor," in: Transactions of the ASME, "A graphical daily balance in manufacture," in: Transactions of the American Society of Mechanical Engineers, Training Workmen in Habits of Industry and Coöperation, The Compensation of Workmen ...: Work, Wages, and Profits: Their Influence on the Cost of Living, Industrial leadership, organizing for Work.

### **3. Frank Bunker Gilbreth Sr. (July 7, 1868 – June 14, 1924)**

He was an American engineer, consultant and author, known as early advocate of scientific management and a pioneer of time and motion study, and is perhaps best known as the father and central figure of Cheaper by the Dozen. Both he and his wife Lillian Moller Gilbreth were industrial engineers and efficiency experts who contributed to the study of industrial engineering in fields such as motion study and human factors. Gilbreth was born in Fairfield, Maine on July 7, 1868. He was the third child and only son of John Hiram Gilbreth and Martha Bunker Gilbreth. His mother had been a schoolteacher. His father owned a hardware store and was a stockbreeder.

Gilbreth was not a good student. He attended Rice Grammar School, but his mother was concerned enough to teach him at home for a year. He attended Boston's English High School and his grades improved when he became interested in his science and math classes. He took the entrance examinations for the Massachusetts Institute of Technology, but wanted his mother to be able to give up the boarding house. He decided to go to work rather than to college.

Renton Widden, Gilbreth's old Sunday school teacher, hired him for his building company. He was to start as a laborer, learn the various building trades, and work his way up in the firm. In July 1885 at age 17 he started as a bricklayer's helper. As he learned bricklaying he noticed the many variations in the bricklayers' methods and efficiency. This began his interest in finding "the one best way" of executing any task. He quickly learned every part of building work and contracting and advanced rapidly. He took night school classes to learn mechanical drawing. After five years he was a superintendent, which allowed his mother to give up her boarding house.



Using his observations of workmen laying brick, Gilbreth developed a multilevel scaffold that kept the bricks within easy reach of the bricklayer. He began patenting his innovations with this "Vertical Scaffold". He developed and patented the "Gilbreth Waterproof Cellar". He began to make innovations in concrete construction. He also joined the American Society of Mechanical Engineers (ASME). After ten years and at age 27 he was the chief superintendent. When Widden was unwilling to make him a partner, he resigned to start his own company.

Gilbreth then became a building contractor, then an inventor with several patents, and finally a management engineer. He eventually became an occasional lecturer at Purdue University, which houses his papers.

Gilbreth discovered his vocation as a young building contractor when he sought ways to make bricklaying faster and easier. This grew into collaboration with his wife, Lillian Moller Gilbreth, who studied the work habits of manufacturing and clerical employees in all sorts of industries to find ways to increase output and make their jobs easier. He and Lillian founded a management consulting firm, Gilbreth, Inc., focusing on such endeavors.

They were involved in the development of the design for the Simmons Hardware Company's Sioux City Warehouse. The architects had specified that hundreds of 20-foot (6.1 m) hardened concrete piles were to be driven in to allow the soft ground to take the weight of two million bricks required to construct the building. The "Time and Motion" approach could be applied to the bricklaying and the transportation. The building was also required to support efficient input and output of deliveries via its own railroad switching facilities.

Gilbreth married Lillian Evelyn Moller on October 19, 1904, in Oakland, California; they had 13 children. Their names were Anne Moller Gilbreth Barney (1905-1987), Mary Elizabeth Gilbreth (1906–1912), Ernestine, Martha Bunker Gilbreth Tallman (1909-1968), Frank Jr., William Moller Gilbreth (1912-1990), Lillian Gilbreth Johnson (1914-2001), Frederick Moller Gilbreth (1916-2015), Daniel Bunker Gilbreth (1917-2006), John Moller Gilbreth (1919-2002), Robert Moller Gilbreth (1920-2007), and Jane Moller Gilbreth Heppes (1922-2006); there was also a stillborn daughter (1915) who was not named.



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Gilbreth died of a heart attack on June 14, 1924, at age 55. He was at the Lackawanna railway station in Montclair, New Jersey, whilst talking with his wife by telephone. Lillian outlived him by 48 years.

Gilbreth served in the U.S. Army during World War I. His assignment was to find quicker and more efficient means of assembling and disassembling small arms. According to Claude George (1968), Gilbreth reduced all motions of the hand into some combination of 17 basic motions. These included grasp, transport loaded, and hold. Gilbreth named the motions therbligs — "Gilbreth" spelled backwards with letters th transposed to their original order. He used a motion picture camera that was calibrated in fractions of minutes to time the smallest of motions in workers.

Their emphasis on the "one best way" and therbligs predates the development of continuous quality improvement (CQI), (George (1968, p. 98)) and the late 20th century understanding that repeated motions can lead to workers experiencing repetitive motion injuries.

Gilbreth was the first to propose the position of "caddy" (Gilbreth's term) to a surgeon, who handed surgical instruments to the surgeon as needed. Gilbreth also devised the standard techniques used by armies around the world to teach recruits how to rapidly disassemble and reassemble their weapons even when blindfolded or in total darkness.

The work of the Gilbreths is often associated with that of Frederick Winslow Taylor, yet there was a substantial philosophical difference between the Gilbreths and Taylor. The symbol of Taylorism was the stopwatch; Taylor was concerned primarily with reducing process times. The Gilbreths, in contrast, sought to make processes more efficient by reducing the motions involved. They saw their approach as more concerned with workers' welfare than Taylorism, which workers themselves often perceived as concerned mainly with profit. This difference led to a personal rift between Taylor and the Gilbreths which, after Taylor's death, turned into a feud between the Gilbreths and Taylor's followers. After Frank's death, Lillian Gilbreth took steps to heal the rift; however, some friction remains over questions of history and intellectual property.

In conducting their Motion Study method to work, they found that the key to improving work efficiency was in reducing unnecessary motions. Not only were some motions unnecessary,



but they caused employee fatigue. Their efforts to reduce fatigue included reduced motions, tool redesign, parts placement, and bench and seating height, for which they began to develop workplace standards. The Gilbreths' work broke ground for contemporary understanding of ergonomics.

Frank and Lillian Gilbreth often used their large family (and Frank himself) as guinea pigs in experiments. Their family exploits are lovingly detailed in the 1948 book *Cheaper by the Dozen*, written by son Frank Jr. and daughter Ernestine (Ernestine Gilbreth Carey). The book inspired two films of the same name. The first, in 1950, starred Clifton Webb and Myrna Loy. The second, in 2003, starred comedians Steve Martin and Bonnie Hunt, and bears no resemblance to the book, except that it features a family with twelve children, and the wife's maiden name is Gilbreth. A 1952 sequel titled *Belles on Their Toes* chronicled the adventures of the Gilbreth family after Frank's 1924 death. A later biography of his parents, *Time Out For Happiness*, was written by Frank Jr. alone in 1962.

His publications are as follows: *Bricklaying system*, *Motion study: A method for increasing the efficiency of the workman*, *Primer of scientific management*, *Applied motion study and Fatigue study*.

## **II. Classical Organisation Theory school**

### **1. Henri Fayol**

Henri Fayol (Istanbul, 29 July 1841 – Paris, 19 November 1925) was a French mining engineer, mining executive, author and director of mines who developed general theory of business administration that is often called Fayolism. He and his colleagues developed this theory independently of scientific management but roughly contemporaneously. Like his contemporary, Frederick Winslow Taylor, he is widely acknowledged as a founder of modern management methods.

Fayol was born in 1841 in a suburb of Istanbul. His father (an engineer) was in the military at the time and was appointed superintendent of works to build Galata Bridge, which bridged



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the Golden Horn. The family returned to France in 1847, where Fayol graduated from the mining academy "École Nationale Supérieure des Mines" in Saint-Étienne in 1860.

In 1860 at the age of nineteen Fayol started working at the mining company named "Compagnie de Commentry-Fourchambault-Decazeville" in Commentry as the mining engineer. During his time at the mine, he studied the causes of underground fires, how to prevent them, how to fight them, how to reclaim mining areas that had been burned, and developed a knowledge of the structure of the basin. In 1888 he was promoted to managing director. During his time as director, he made changes to improve the working situations in the mines, such as allowing employees to work in teams, and changing the division of labor. Later, more mines were added to his duties.

Eventually, the board decided to abandon its iron and steel business and the coal mines. They chose Henri Fayol to oversee this as the new managing director. Upon receiving the position, Fayol presented the board with a plan to restore the firm. The board accepted the proposal. When he retired in 1918, the company was financially strong and one of the largest industrial combines in Europe

Based largely on his own management experience, he developed his concept of administration. In 1916 he published these experience in the book "Administration Industrielle et Générale", at about the same time as Frederick Winslow Taylor published his Principles of Scientific Management.

Fayol's work became more generally known with the 1949 publication of General and industrial administration, the English translation of the 1916 article "Administration industrielle et générale". In this work Fayol presented his theory of management, known as Fayolism. Before that Fayol had written several articles on mining engineering, starting in the 1870s, and some preliminary papers on administration.



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**Mining Engineering:** Starting in the 1870s, Fayol wrote a series of articles on mining subjects, such as on the spontaneous heating of coal (1879), the formation of coal beds (1887), the sedimentation of the Commentary, and on plant fossils (1890). His first articles were published in the French Bulletin de la Société de l'Industrie minérale, and beginning in the early 1880s in the Comptes rendus de l'Académie des sciences, the proceedings of the French Academy of Sciences.

**Fayol's Principles of Management:** The Principles of Management are the essential, underlying factors that form the foundations of successful management. According to Henri Fayol in his book *General and Industrial Management* (1916), there are fourteen 'Principles of Management'. **Henry Fayol's** 14 principles of management are given below:

1. **Division of work:** Division of work or specialization alone can give maximum productivity and efficiency. Both technical and managerial activities can be performed in the best manner only through division of labour and specialization.
2. **Authority and Responsibility:** The right to give order is called authority. The obligation to accomplish is called responsibility. Authority and Responsibility are the two sides of the management coin. They exist together. They are complementary and mutually interdependent.
3. **Discipline:** The objectives, rules and regulations, the policies and procedures must be honored by each member of an organization. There must be clear and fair agreement on the rules and objectives, on the policies and procedures. There must be penalties (punishment) for non-obedience or indiscipline. No organization can work smoothly without discipline preferably voluntary discipline.
4. **Unity of Command:** In order to avoid any possible confusion and conflict, each member of an organization must received orders and instructions only from one superior (boss).
5. **Unity of Direction:** All members of an organization must work together to accomplish common objectives.



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6. **Emphasis on Subordination of Personal Interest to General or Common Interest:** This is also called principle of co-operation. Each shall work for all and all for each. General or common interest must be supreme in any joint enterprise.

7. **Remuneration:** Fair pay with non-financial rewards can act as the best incentive or motivator for good performance. Exploitation of employees in any manner must be eliminated. Sound scheme of remuneration includes adequate financial and nonfinancial incentives.

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

9. **Scalar Chain:** The unity of command brings about a chain or hierarchy of command linking all members of the organization from the top to the bottom. Scalar denotes steps.

10. **Order:** Fayol suggested that there is a place for everything. Order or system alone can create a sound organization and efficient management.

11. **Equity:** An organization consists of a group of people involved in joint effort. Hence, equity (i.e., justice) must be there. Without equity, we cannot have sustained and adequate joint collaboration.

12. **Stability of Tenure:** A person needs time to adjust himself with the new work and demonstrate efficiency in due course. Hence, employees and managers must have job security. Security of income and employment is a pre-requisite of sound organization and management.

13. **Esprit of Co-operation:** Esprit de corps is the foundation of a sound organization. Union is strength. But unity demands co-operation. Pride, loyalty and sense of belonging are responsible for good performance.

14. **Initiative:** Creative thinking and capacity to take initiative can give us sound managerial planning and execution of predetermined plans.



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**Fayolism:** Fayol's work was one of the first comprehensive statements of a general theory of management. He proposed that there were five primary functions of management and fourteen principles of management.

**Publications:** Industrial and General Administration, General and Industrial Management, and "Modern Management".

## 1. Max Weber

Maximilian Karl Emil "Max" Weber (21 April 1864 – 14 June 1920) was a German sociologist, philosopher, jurist, political economist and the husband of Marianne Schnitger. His ideas profoundly influenced social theory and social research. Weber is often cited, with Émile Durkheim and Karl Marx, as among the three founders of sociology. Weber was a key proponent of methodological ant positivism, arguing for the study of social action through interpretive (rather than purely empiricist) means, based on understanding the purpose and meaning that individuals attach to their own actions. Unlike Durkheim, he did not believe in mono causality and rather proposed that for any outcome there can be multiple causes. Weber's main intellectual concern was understanding the processes of rationalisation, secularisation, and "disenchantment" that he associated with the rise of capitalism and modernity, and which he saw as the result of a new way of thinking about the world. Weber is best known for his thesis combining economic sociology and the sociology of religion, elaborated in his book *The Protestant Ethic and the Spirit of Capitalism*, in which he proposed that ascetic Protestantism was one of the major "elective affinities" associated with the rise in the Western world of market-driven capitalism and the rational-legal nation-state. He argued that it was in the basic tenets of Protestantism to boost capitalism. Thus, it can be said that the spirit of capitalism is inherent to Protestant religious values.

Against Marx's historical materialism, Weber emphasised the importance of cultural influences embedded in religion as a means for understanding the genesis of capitalism. The Protestant Ethic formed the earliest part in Weber's broader investigations into world religion; he went on to examine the religions of China, the religions of India and ancient Judaism, with particular regard to their differing economic consequences and conditions of social



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stratification. In another major work, "Politics as a Vocation", Weber defined the state as an entity that successfully claims a "monopoly of the legitimate use of physical force within a given territory". He was also the first to categorise social authority into distinct forms, which he labelled as charismatic, traditional, and rational-legal. His analysis of bureaucracy emphasised that modern state institutions are increasingly based on rational-legal authority.

Weber also made a variety of other contributions in economic history, as well as economic theory and methodology. Weber's analysis of modernity and rationalisation significantly influenced the critical theory associated with the Frankfurt School. After the First World War, Max Weber was among the founders of the liberal German Democratic Party. He also ran unsuccessfully for a seat in parliament and served as advisor to the committee that drafted the ill-fated democratic Weimar Constitution of 1919. After contracting Spanish flu, he died of pneumonia in 1920, aged 56.

Karl Emil Maximilian Weber was born in 1864, in Erfurt, Province of Saxony, Prussia. He was the oldest of the seven children of Max Weber Sr., a wealthy and prominent civil servant and member of the National Liberal Party, and his wife Helene (Fallenstein), who partly descended from French Huguenot immigrants and held strong moral absolutist ideas.

Weber Sr.'s involvement in public life immersed his home in both politics and academia, as his salon welcomed many prominent scholars and public figures. The young Weber and his brother Alfred, who also became a sociologist and economist, thrived in this intellectual atmosphere. Weber's 1876 Christmas presents to his parents, when he was thirteen years old, were two historical essays entitled "About the course of German history, with special reference to the positions of the Emperor and the Pope", and "About the Roman Imperial period from Constantine to the migration of nations". In class, bored and unimpressed with the teachers – who in turn resented what they perceived as a disrespectful attitude – he secretly read all forty volumes of Goethe, and it has been recently argued that this was an important influence on his thought and methodology. Before entering the university, he would read many other classical works. Over time, Weber would also be significantly affected by the marital tension between his



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father, "a man who enjoyed earthly pleasures", and his mother, a devout Calvinist "who sought to lead an ascetic life".

In 1882 Weber enrolled in the University of Heidelberg as a law student. After a year of military service, he transferred to the University of Berlin. After his first few years as a student, during which he spent much time "drinking beer and fencing", Weber would increasingly take his mother's side in family arguments and grew estranged from his father. Simultaneously with his studies, he worked as a junior lawyer. In 1886 Weber passed the examination for Referenda, comparable to the bar association examination in the British and American legal systems. Throughout the late 1880s, Weber continued his study of law and history. He earned his law doctorate in 1889 by writing a dissertation on legal history titled, "The history of commercial partnerships in the Middle Ages". This work was used as part of a longer work *On the History of Trading Companies in the Middle Ages, based on South-European Sources*, published in the same year. Two years later, Weber completed his *Habilitations schrift, Roman Agrarian History and its Significance for Public and Private Law*, working with August Meitzen. Having thus become a Privatdozent, Weber joined the University of Berlin's faculty, lecturing and consulting for the government.

In the years between the completion of his dissertation and habilitation, Weber took an interest in contemporary social policy. In 1888 he joined the Verein für Socialpolitik, a new professional association of German economists affiliated with the historical school, who saw the role of economics primarily as finding solutions to the social problems of the age and who pioneered large scale statistical studies of economic issues. He also involved himself in politics, joining the left-leaning Evangelical Social Congress. In 1890 the Verein established a research program to examine "the Polish question" or Ostflucht: the influx of Polish farm workers into eastern Germany as local labourers migrated to Germany's rapidly industrialising cities. Weber was put in charge of the study and wrote a large part of the final report, which generated considerable attention and controversy and marked the beginning of Weber's renown as a social scientist. From 1893 to 1899 Weber was a member of the Alldeutscher Verband (Pan-German League), an organization that campaigned against the influx of the Polish workers; the degree of Weber's support for the Germanisation of Poles and



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similar nationalist policies is still debated by modern scholars. In some of his work, in particular his provocative lecture on "The Nation State and Economic Policy" delivered in 1895, Weber criticises the immigration of Poles and blames the Junker class for perpetuating Slavic immigration to serve their selfish interests.

Also in 1893 he married his distant cousin Marianne Schnitger, later a feminist activist and author in her own right, who was instrumental in collecting and publishing Weber's journal articles as books after his death, while her biography of him is an important source for understanding Weber's life. They would have no children and it is usually acknowledged that their marriage was never consummated. The marriage granted long-awaited financial independence to Weber, allowing him to finally leave his parents' household. The couple moved to Freiburg in 1894, where Weber was appointed professor of economics at the university, before accepting the same position at the University of Heidelberg in 1896. There Weber became a central figure in the so-called "Weber Circle", composed of other intellectuals such as his wife Marianne, Georg Jellinek, Ernst Troeltsch, Werner Sombart and Robert Michels. Weber also remained active in the Verein and the Evangelical Social Congress. His research in that period was focused on economics and legal history.

Weber became increasingly prone to depression, nervousness and insomnia, making it difficult for him to fulfill his duties as a professor. His condition forced him to reduce his teaching and eventually leave his course unfinished in the autumn of 1899. After spending months in a sanatorium during the summer and autumn of 1900, Weber and his wife travelled to Italy at the end of the year and did not return to Heidelberg until April 1902. He would again withdraw from teaching in 1903 and not return to it till 1919. Weber's ordeal with mental illness was carefully described in a personal chronology that was destroyed by his wife. This chronicle was supposedly destroyed because Marianne Weber feared that Max Weber's work would be discredited by the Nazis if his experience with mental illness were widely known.

After Weber's immense productivity in the early 1890s, he did not publish any papers between early 1898 and late 1902, finally resigning his professorship in late 1903. Freed from those obligations, in that year he accepted a position as associate editor of the Archives for Social Science and Social Welfare, where he worked with his colleagues Edgar



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Jaffé (de) and Werner Sombart. His new interests would lie in more fundamental issues of social sciences; his works from this latter period are of primary interest to modern scholars. In 1904, Weber began to publish some of his most seminal papers in this journal, notably his essay *The Protestant Ethic and the Spirit of Capitalism*, which became his most famous work and laid the foundations for his later research on the impact of cultures and religions on the development of economic systems. This essay was the only one of his works from that period that was published as a book during his lifetime. Some other of his works written in the first one and a half decades of the 20<sup>th</sup> century – published posthumously and dedicated primarily from the fields of sociology of religion, economic and legal sociology – are also recognised as among his most important intellectual contributions.

Also in 1904, he visited the United States and participated in the Congress of Arts and Sciences held in connection with the World's Fair (Louisiana Purchase Exposition) in St. Louis. A monument to his visit was placed at the home of relatives whom Weber visited in Mt. Airy, North Carolina.

Despite his partial recovery evident in America, Weber felt that he was unable to resume regular teaching at that time and continued on as a private scholar, helped by an inheritance in 1907. In 1909, disappointed with the Verein, he co-founded the German Sociological Association (Deutsche Gesellschaft für Soziologie, or DGS) and served as its first treasurer. He would, however, resign from the DGS in 1912. In 1912, Weber tried to organise a left-wing political party to combine social-democrats and liberals. This attempt was unsuccessful, in part because many liberals feared social-democratic revolutionary ideals.

**Max Weber's Thought:** Max Weber's bureaucratic model (rational-legal model)

Weber wrote that the modern bureaucracy in both the public and private sector relies on the following principles.

"First, it is based on the general principle of precisely defined and organized across-the-board competencies of the various offices. These competencies are underpinned by rules, laws, or administrative regulations." For Weber, this means



1. A rigid division of labor is established which clearly identifies the regular tasks and duties of the particular bureaucratic system.
2. There are firmly established chains of command, and the duties and capacity to coerce others to comply is described by regulation.
3. Regular and continuous execution of the assigned duties is undertaken by hiring people with particular qualifications which are certified.

Weber notes that these three aspects "constitute the essence of bureaucratic administration...in the public sector. In the private sector, these three aspects constitute the essence of a bureaucratic management of a private company."

**Main principles (characteristics):**

1. Specialized roles.
2. Recruitment based on merit (e.g. tested through open competition).
3. Uniform principles of placement, promotion, and transfer in an administrative system.
4. Careerism with systematic salary structure.
5. Hierarchy, responsibility and accountability.
6. Subjection of official conduct to strict rules of discipline and control.
7. Supremacy of abstract rules.
8. Impersonal authority (e.g. office bearer does not bring the office with him).
9. Political neutrality.

**Merits:**

As Weber himself noted, real bureaucracy will be less optimal and effective than his ideal-type model. Each of Weber's principles can degenerate—and more so, when they are used to analyze the individual level in an organization. But, when implemented in a group setting in an organization, some form of efficiency and effectiveness can be achieved, especially with regard to better output. This is especially true when the Bureaucratic model emphasizes qualification (merits), specialization of job-scope (labour), hierarchy of power, rules and discipline.



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## **Demerits:**

However, competencies, efficiency and effectiveness can be unclear and contradictory, especially when dealing with oversimplified matters. In a dehumanized bureaucracy, inflexible in distributing the job-scope, with every worker having to specialize from day one without rotating tasks for fear of decreasing output, tasks are often routine and can contribute to boredom. Thus, employees can sometimes feel that they are not part of the organization's work vision and missions. Consequently, they do not have any sense of belonging in the long term. Furthermore, this type of organization tends to invite exploitation and underestimate the potential of the employees, as creativity of the workers is brushed aside in favour of strict adherence to rules, regulations and procedures.

### **3. Mary Parker Follet**

Mary Parker Follett (September 3, 1868 – December 18, 1933) was an American social worker, management consultant, philosopher, and pioneer in the fields of organizational theory and organizational behavior. Along with Lillian Gilbreth, Mary Parker Follett was one of two great women management gurus in the early days of classical management theory. Follett is known to be "Mother of Modern Management".

Follett was born in 1868 in Quincy, Massachusetts to a wealthy Quaker family. Her family was composed of Charles Allen Follett, a machinist in a local shoe factory, and Elizabeth Curtis (née Baxter) Follett, respectively of English-Scottish and Welsh descent, and a younger brother. Follett attended Thayer Academy, a collegiate preparatory day school in Braintree, while spending much of her free time caring for her disabled mother. In September 1885 she enrolled in Anna Ticknor's Society to Encourage Studies at Home.

From 1890-91, she studied at the University of Cambridge and then moved to study at Society for the Collegiate Instruction of Women in Cambridge (later known as Radcliffe College). For the next 6 years Follett attended the university on an irregular basis eventually graduating summa cum laude in 1898. Her Radcliffe thesis, *The Speaker of the House of Representatives*, was published in 1896. She would go on to apply to Harvard but would be denied entrance to the university on the basis that she was a woman.



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Over the next three decades, she published many works. She was one of the first women ever invited to address the London School of Economics, where she spoke on cutting-edge management issues. She also distinguished herself in the field of management by being sought out by President Theodore Roosevelt as his personal consultant on managing not-for-profit, non-governmental, and voluntary organizations.

Follett's educational and work background would shape and influence her future theories and writings. One of her earliest career positions would see her working as a social worker in the Roxbury neighborhood of Boston from 1900-08. During this period her interactions with the Roxbury community would lead her to realize the importance of community spaces as areas to meet and socialize.

Her experience in developing vocational guidance and evening programs in public schools, she would develop what would be her life's work and her theories in group dynamics. "The New State", her second writing published in 1918, would evolve from a report into her second published work. This publication would go on to lay the foundational theories for her most important theories and become a major center of attention of her career.

In her capacity as a management theorist, Follett pioneered the understanding of lateral processes within hierarchical organizations (which recognition led directly to the formation of matrix-style organizations, the first of which was DuPont, in the 1920s), the importance of informal processes within organizations, and the idea of the "authority of expertise"—which really served to modify the typology of authority developed by her German contemporary, Max Weber, who broke authority down into three separate categories: rational-legal, traditional and charismatic.

She recognized the holistic nature of community and advanced the idea of "reciprocal relationships" in understanding the dynamic aspects of the individual in relationship to others. Follett advocated the principle of what she termed "integration," or no coercive power-sharing based on the use of her concept of "power with" rather than "power over."

Follett contributed greatly to the win-win philosophy, coining the term in her work with groups. Her approach to conflict was to embrace it as a mechanism of diversity and an



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opportunity to develop integrated solutions rather than simply compromising. She was also a pioneer in the establishment of community centers.

Follett's writings span the decades. In *The New State*, she ponders many of the social issues at hand today:

It is a mistake to think that social progress is to depend upon anything happening to the working people: some say that they are to be given more material goods and all will be well; some think they are to be given more "education" and the world will be saved. It is equally a mistake to think that what we need is the conversion to "unselfishness" of the capitalist class."

Ann Pawelec Deschenes (1998) found obscure reference pointing to Mary Parker Follett having coined the term "transformational leadership". She quotes from Edith A. Rusch's *The Social Construction of Leadership: From Theory to Praxis* (1991): writings and lectures by Mary Parker Follett from as early as 1927 contained references to transformational leadership, the interrelationship of leadership and followership, and the power of collective goals of leaders and followers.

Burns makes no reference to Follett in *Leadership*. However, Rusch was able to trace what appear to be parallel themes in the works of Burns and Follett. Rusch presents direct references in Appendix A. Pawelec (Deschenes) found further parallels of transformational discourse between Follett's (1947, 1987) work and Burns (1978).

From *The Collected Papers of Mary Parker Follett*: "Moreover, we have now to lay somewhat less stress than formerly on this matter of the leader influencing his group because we now think of the leader as also being influenced by his group."

Although most of Follett's writings remained known in very limited circles until republished at the beginning of this decade, her ideas gained great influence after Chester Barnard, a New Jersey Bell executive and advisor to President Franklin D. Roosevelt, published his seminal treatment of executive management, *The Functions of the Executive*. Barnard's work, which stressed the critical role of "soft" factors such as "communication" and "informal processes" in organizations, owed a telling yet undisclosed debt to Follett's thought and writings. Her emphasis on such soft factors paralleled the work of Elton Mayo at Western Electric's



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Hawthorne Plant, and presaged the rise of the Human Relations Movement, as developed through the work of such figures as Abraham Maslow, Kurt Lewin, Douglas McGregor, Chris Argyris and other breakthrough contributors to the field of Organizational Development.

Her influence can also be seen indirectly perhaps in the work of Ron Lippitt, Ken Benne, Lee Bradford, Edie Seashore and others at the National Training Laboratories in Bethel, Maine, where T-Group methodology was first theorized and developed. Follett's work set the stage for a generation of effective, progressive changes in management philosophy, style and practice, revolutionizing and humanizing the American workplace, and allowing the fulfillment of Douglas McGregor's management vision—quantum leaps in productivity effected through the humanization of the workplace.

Follett died on December 18, 1933, in Boston, Massachusetts. After her death her work and ideas would disappear from American organizational and management circles of the time but would continue to gain followership in Great Britain. In the last decades her work has been rediscovered. During the 1960s her ideas would re-emerge in Japan where management thinkers would apply her theories to business.

Management theorist Warren Bennis said of Follett's work, "Just about everything written today about leadership and organizations comes from Mary Parker Follett's writings and lectures."

Her texts outline modern ideas under participatory management: decentralized decisions, integrating role of groups, and competition authority. Follett managed to reduce the gap between the mechanistic approach and contemporary approach that emphasizes human behavior.

Her advocacy for schools to be used after hours for recreational and vocational use affected the Boston area where schools opened their doors after hours for such uses, and community centers were built where schools were not located a revolutionary concept during the 20th century. Her experience working in this area taught her a lot about notions of democracy and led her to write more for a wider audience – particularly the business world. She believed that good practice amongst business people would have a significant impact on other institutions.



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She authored a number of books and numerous essays, articles and speeches on democracy, human relations, political philosophy, psychology, organizational behavior and conflict resolution.

- The Speaker of the House of Representatives(1896)
- The New State (1918)
- Creative Experience (1924)
- The Giving of Orders(1926)
- Dynamic Administration: The Collected Papers of Mary Parker Follett (1942) (a collection of speeches and short articles was published posthumously)

### **III. The Behavioural School**

#### **1. Elton Mayo**

George Elton Mayo (26 December 1880 – 7 September 1949) was an Australian born psychologist, industrial researcher, and organizational theorist. Mayo was formally trained at the University of Adelaide, acquiring a Bachelor of Arts Degree graduating with First Class Honours, majoring in philosophy and psychology, and was later awarded an honorary Master of Arts Degree from the University of Queensland (UQ). While in Queensland, Mayo served on the University's war committee and pioneered research into the psychoanalytic treatment of shell-shock. As a psychologist Mayo often helped soldiers returning from World War I recover from the stresses of war and with a Brisbane physician, pioneered the psychoanalytic treatment of shell-shock and conducted psycho-pathological tests. He was a lecturer in psychology and mental philosophy at the UQ between 1911 and 1922, when he sailed to the United States. In 1926 he was appointed to the Harvard Business School (HBS) as a professor of industrial research.

In Philadelphia he conducted research at a textile plant in order to develop a method to reduce the very high rate of turnover in the plant.<sup>[7]</sup> Mayo's association with the Hawthorne studies as well as his research and work in Australia led to his enjoying a public acclaim granted to few social scientists of his day.



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Mayo has been credited with making significant contributions to a number of disciplines, including business management, industrial sociology, philosophy, and social psychology. His field research in industry had a significant impact on industrial and organizational psychology.<sup>[8]</sup> According to Trahair, Mayo "is known for having established the scientific study of what today is called organizational behavior when he gave close attention to the human, social, and political problems of industrial civilization." (p. 15).<sup>[8]</sup>

Mayo's work helped to lay the foundation for the human relations movement.<sup>[4]</sup> He emphasized that alongside the formal organization of an industrial workplace there exists an informal organizational structure as well.<sup>[4]</sup> Mayo recognized the "inadequacies of existing scientific management approaches" to industrial organizations, and underlined the importance of relationships among people who work for such organizations.<sup>[5]</sup> His ideas on group relations were advanced in his 1933 book *The Human Problems of an Industrialized Civilization*, which was based partly on his Hawthorne research.<sup>[9]</sup>

Mayo was the eldest son of George Gibbes Mayo, a draftsman and later a civil engineer, and his wife Henrietta Mary, née Donaldson. His grandfather George Mayo (1807–1894) was a well-known South Australian medical practitioner. Elton attended several schools in Australia (Queen's School, St Peter's College, Adelaide, and University of Adelaide) and after 1901 attended medical school in Edinburgh and London, neither of which he completed. In 1903 he went to West Africa, and upon returning to London, began writing articles for magazines and teaching English at the Working Men's College. He returned to Adelaide in 1905 to a partnership in the printing firm of J. H. Sherring & Co., but in 1907 he went back to the university to study philosophy and psychology under Sir William Mitchell. He won the Roby Fletcher prize in psychology and graduated with honours (B.A., 1910; M.A., 1926) and was named the David Murray research scholar in scientific studies. In 1911 he became foundation lecturer in mental and moral philosophy at the new University of Queensland and in 1919–23 held the first chair of philosophy there. He moved on to the University of Pennsylvania, but spent the second half of his career at Harvard Business School (1926–1947), where he was professor of industrial research.



Two influences on his career from his time at the University of Queensland were Mayo's friendship with the social anthropologist Bronislaw Malinowski and his work with shell-shock cases returning from the First World War. Malinowski first met Mayo on his way to and from the Trobriand Islands; they became close friends and were regularly in touch until Malinowski's death in 1942. The work with shell-shock soldiers provided a focus for Mayo's interests in clinical psychology and developed his skills in psychotherapy. In this he was strongly influenced by the work on hysteria and obsession of the French psychiatrist, Pierre Janet, who became a critic of Sigmund Freud. For the rest of his working life, Mayo was an active psychotherapist and this practical experience was an important influence on his theoretical and methodological work in America

One of Mayo's (1924) earliest research efforts involved workers at a Philadelphia textile mill.<sup>[12]</sup> The mill had been experiencing a high rate of turnover. Mayo believed that the repetitive work in the spinning department gave rise to mental abnormalities in the workers. He found that the introduction of rest periods helped reduce turnover. The research helped make Mayo more widely known in the U.S.

Mayo helped to lay the foundation for the human relations movement, and was known for his industrial research including the Hawthorne Studies and his book *The Human Problems of an Industrialized Civilization* (1933). The research he conducted under the rubric of the Hawthorne Studies in the late 1920s and early 1930s, underlining the importance of groups in affecting the behaviour of individuals at work.

Elton Mayo laid the ground rules for interviewing, the principles of which have been subsequently repeated in numerous 'how to' books on leadership, coaching and mentoring over the last half century.

### **Hawthorne studies**

Fritz J. Roethlisberger, Mayo's graduate assistant, and William J. Dickson, head of the Department of Employee Relations at Western Electric, conducted the bulk of the practical research, with Mayo rarely visiting the Hawthorne plant in Cicero, Illinois. Mayo's team carried out a number of "experiments" to look at ways of improving productivity. The research involved



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manipulating length of rest and lunch periods and piecework payment plans.<sup>[14]</sup> Mayo concluded that productivity partly depended on the informal social patterns of interaction in the work group.

Mayo, in communicating to business leaders, advanced the idea that managers who understand the nature of informal ties among workers can make decisions for management's benefit. Mayo concluded that people's work performance is dependent on both social relationships and job content. He suggested a tension between workers' "logic of sentiment" and managers' "logic of cost and efficiency" which could lead to conflict within organizations.

Parsons, however, showed that the Hawthorne studies, which were not really experiments, were too confounded to enable researchers to draw firm conclusions.<sup>[14]</sup> The qualitative aspects of the research suggested that norms of co-operation among workers were related to productivity.

### **The Human Problems of an Industrialized Civilization**

The books begin with an account of the research on human fatigue and efficiency conducted in the early 20th century.

**Mayo's Credentials:** Although biographers agree about Mayo's contributions, there is no consensus about his credentials. The Encyclopædia Britannica, biographical dictionaries, and some published texts indicate that Mayo was a psychologist. Some authors and critics have discussed Mayo's credentials and his various other job titles during his career in the United States. Cullen does not mention that Mayo was a psychologist although Cullen noted that Mayo let interlocutors call him "Dr. Mayo," letting him be cast as a Ph.D. in one of the social sciences, without correcting the mistake. Mayo's biographer Trahair wrote, "Mayo was not a psychologist, sociologist, or anthropologist, although sometimes he was cast as such" (p. 357). Trahair also wrote that "after the great war Mayo's reputation grew as a successful academic, clinical psychologist and public speaker" (p. 89). Of course having a reputation as a clinical psychologist does not necessarily make one a clinical psychologist (the public often thinks of psychotherapists, regardless of training, as clinical psychologists or even psychiatrists).

Cullen indicated that Mayo was not a medical doctor, writing that in April 1903, Mayo "enrolled at a small medical school at Saint George's Hospital at London....At this point, Mayo's



interest in medicine was all but non-existent" (p. 28). Having dropped out by December 1903, Mayo "wrote home and finally revealed to his family the truth; he did not and could not become a doctor" (p. 28). Miner wrote: "An effective speaker and proficient in cultivating influential friends and mentors, he nevertheless had little by way of academic credentials and practically no training in the conduct of scientific research" (p. 60).

**Publications:** Psychology of Pierre Janet, London, The Human Problems of an Industrial Civilization, Critical Evaluations in Business and Management, and The Social Problems of an Industrial Civilization.

## 2. Abraham Maslow

**Abraham Harold Maslow** (April 1, 1908 – June 8, 1970) was an American psychologist who was best known for creating Maslow's hierarchy of needs, a theory of psychological health predicated on fulfilling innate human needs in priority, culminating in self-actualization. Maslow was a psychology professor at Alliant International University, Brandeis University, Brooklyn College, New School for Social Research, and Columbia University. He stressed the importance of focusing on the positive qualities in people, as opposed to treating them as a "bag of symptoms." A *Review of General Psychology* survey, published in 2002, ranked Maslow as the tenth most cited psychologist of the 20th century.

Born in 1908 and raised in Brooklyn, New York, Maslow was the oldest of seven children and was classed as "mentally unstable" by a psychologist. His parents were first generation Jewish immigrants from Russia from Kiev who fled from Czarist persecution in the early 20th century. They had decided to live in New York City and in a multiethnic, working-class neighborhood. His parents were poor and not intellectually focused, but they valued education. It was a tough time for Maslow, as he experienced anti-Semitism from his teachers and from other children around the neighborhood. He had various encounters with anti-Semitic gangs who would chase and throw rocks at him. Maslow and other young people at the time with his background were struggling to overcome such acts of racism and ethnic prejudice in the attempt to establish an idealistic world based on widespread education and monetary justice. The



tension outside his home was also felt within it; he rarely got along with his mother, and eventually developed a strong revulsion to her. He is quoted as saying, "What I had reacted to was not only her physical appearance, but also her values and world view, her stinginess, her total selfishness, her lack of love for anyone else in the world – even her own husband and children – her narcissism, her Negro prejudice, her exploitation of everyone, her assumption that anyone was wrong who disagreed with her, her lack of friends, her sloppiness and dirtiness..." He also grew up with few friends other than his cousin Will, and as a result ", He grew up in libraries and among books." It was here that he developed his love for reading and learning. He went to Boys High School, one of the top high schools in Brooklyn. Here, he served as the officer to many academic clubs, and became editor of the Latin Magazine. He also edited *Principia*, the school's Physics paper, for a year. He developed other strengths as well:

As a young boy, Maslow believed physical strength to be the single most defining characteristic of a true male; hence, he exercised often and took up weight lifting in hopes of being transformed into a more muscular, tough-looking guy, however, he was unable to achieve this due to his humble-looking and chaste figure as well as his studiousness.

Maslow attended the City College of New York after high school. In 1926 he began taking legal studies classes at night in addition to his undergraduate course load. He hated it and almost immediately dropped out. In 1927 he transferred to Cornell, but he left after just one semester due to poor grades and high costs. He later graduated from City College and went to graduate school at the University of Wisconsin to study psychology. In 1928, he married his first cousin Bertha, who was still in high school at the time. The pair had met in Brooklyn years earlier. Maslow's psychology training at UW was decidedly experimental-behaviorist. At Wisconsin he pursued a line of research which included investigating primate dominance behavior and sexuality. Maslow's early experience with behaviorism would leave him with a strong positivist mindset. Upon the recommendation of Professor Hulsey Cason, Maslow wrote his master's thesis on "learning, retention, and reproduction of verbal material". Maslow regarded the research as embarrassingly trivial, but he completed his thesis the summer of 1931 and was awarded his master's degree in psychology. He was so ashamed of the thesis that he removed it from the psychology library and tore out its catalog listing. However, Professor Carson admired



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the research enough to urge Maslow to submit it for publication. Maslow's thesis was published as two articles in 1934.

He continued his research at Columbia University, on similar themes. There he found another mentor in Alfred Adler, one of Sigmund Freud's early colleagues. From 1937 to 1951, Maslow was on the faculty of Brooklyn College. His family life and his experiences influenced his psychological ideas. After World War II, Maslow began to question the way psychologists had come to their conclusions, and though he did not completely disagree, he had his own ideas on how to understand the human mind. He called his new discipline humanistic psychology. Maslow was already a 33-year-old father and had two children when the United States entered World War II in 1941. He was thus ineligible for the military. However, the horrors of war instead inspired a vision of peace in him and this led to his groundbreaking psychological studies of self-actualizing people. These studies began with his two mentors, anthropologist Ruth Benedict and Gestalt psychologist Max Wertheimer, whom he admired both professionally and personally. These two were so accomplished in both realms and such "wonderful human beings" as well, that Maslow began taking notes about them and their behavior. This would be the basis of his lifelong research and thinking about mental health and human potential.<sup>[21]</sup> He wrote extensively on the subject, borrowing ideas from other psychologists but adding significantly to them, especially the concepts of a hierarchy of needs, metaneeds, metamotivation, self-actualizing persons, and peak experiences. Maslow was a professor at Brandeis University from 1951 to 1969, and then became a resident fellow of the Laughlin Institute in California. In 1967, Maslow had an almost fatal heart attack, and knew his time was limited. Maslow considered himself to be a psychological pioneer. He gave future psychologists a push by bringing to light different paths to ponder. He built the framework that later allowed other psychologists to add in more information. Maslow long believed that leadership should be non-intervening. Consistent with this approach, he rejected a nomination in 1963 to be president of the Association for Humanistic Psychology because he felt that the organization should develop an intellectual movement without a leader. He continued his research at Columbia University, on similar themes. There he found another mentor in Alfred Adler, one of Sigmund Freud's early colleagues. From 1937 to 1951, Maslow was on the faculty of Brooklyn College. His family life



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While jogging, Maslow suffered a severe heart attack and died on June 8, 1970, at the age of 62 in Menlo Park, California. Later in life, Maslow was concerned with questions such as, "Why don't more people self-actualize if their basic needs are met? How can we humanistically understand the problem of evil?"



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In the spring of 1961, Maslow and Tony Sutich founded the *Journal of Humanistic Psychology*, with Miles Vich as editor until 1971. The journal printed its first issue in early 1961 and continues to publish academic papers.

Maslow attended the Association for Humanistic Psychology's founding meeting in 1963 where he declined nomination as its president, arguing that the new organization should develop an intellectual movement without a leader which resulted in useful strategy during the field's early years. In 1967, Maslow was named Humanist of the Year by the American Humanist Association.

Human needs as identified by Maslow:

- At the bottom of the hierarchy are the "Basic needs or Physiological needs" of a human being: food, water, sleep, sex, homeostasis, and excretion.
- The next level is "Safety Needs: Security, Order, and Stability". These two steps are important to the physical survival of the person. Once individuals have basic nutrition, shelter and safety, they attempt to accomplish more.
- The third level of need is "Love and Belonging", which are psychological needs; when individuals have taken care of themselves physically, they are ready to share themselves with others, such as with family and friends.
- The fourth level is achieved when individuals feel comfortable with what they have accomplished. This is the "Esteem" level, the need to be competent and recognized, such as through status and level of success.
- Then there is the "Cognitive" level, where individuals intellectually stimulate themselves and explore.
- After that is the "Aesthetic" level, which is the need for harmony, order and beauty.
- At the top of the pyramid, "Need for Self-actualization" occurs when individuals reach a state of harmony and understanding because they are engaged in achieving their full potential.<sup>[46]</sup> Once a person has reached the self-actualization state they focus on themselves and try to build their own image. They may look at this in terms of feelings such as self-confidence or by accomplishing a set goal.



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The first four levels are known as *Deficit needs* or *D-needs*. This means that if you do not have enough of one of those four needs, you will have the feeling that you need to get it. But when you do get them, then you feel content. These needs alone are not motivating.

Maslow wrote that there are certain conditions that must be fulfilled in order for the basic needs to be satisfied. For example, freedom of speech, freedom to express oneself, and freedom to seek new information are a few of the prerequisites. Any blockages of these freedoms could prevent the satisfaction of the basic needs.

Maslow's Hierarchy is used in higher education for advising students and student retention as well as a key concept in student development. Maslow's Hierarchy has been subject to internet memes over the past few years, specifically looking at the modern integration of technology in our lives and humorously suggesting that Wi-Fi was among the most basic of human needs.

Maslow defined self-actualization as achieving the fullest use of one's talents and interests—the need "to become everything that one is capable of becoming." As implied by its name, self-actualization is highly individualistic and reflects Maslow's premise that the self is "sovereign and inviolable" and entitled to "his or her own tastes, opinions, values, etc." Indeed, some have characterized self-actualization as "healthy narcissism."

### 3. **Douglas McGregor**

**Douglas Murray McGregor** (1906 – 1 October 1964) was a management professor at the MIT Sloan School of Management and president of Antioch College from 1948 to 1954.<sup>[1]</sup> He also taught at the Indian Institute of Management Calcutta. His 1960 book *The Human Side of Enterprise* had a profound influence on education practices.

Douglas McGregor is a contemporary of Abraham Maslow. Likewise, he also contributed much to the development of the management and motivational theory. He is best known for his Theory X and Theory Y as presented in his book 'The Human Side of Enterprise' (1960), which proposed that manager's individual assumptions about human nature and behaviour determined how individual manages their employees.



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McGregor was born in Detroit. He earned a B.E. (Mechanical) from Rangoon Institute of Technology, an B. A. from Wayne State University in 1932, then earned an M.A. and Ph.D. in psychology from Harvard University in 1933 and 1935 respectively.

In the book *The Human Side of Enterprise*, McGregor identified an approach of creating an environment within which employees are motivated via authoritative, direction and control or integration and self-control, which he called theory X and theory Y, respectively. Theory Y is the practical application of Dr. Abraham Maslow's Humanistic School of Psychology, or Third Force psychology, applied to scientific management.

He is commonly thought of as being a *proponent* of Theory Y, but, as Edgar Schein tells in his introduction to McGregor's subsequent, posthumous (1967), book *The Professional Manager*: "In my own contacts with Doug, I often found him to be discouraged by the degree to which theory Y had become as monolithic a set of principles as those of Theory X, the over-generalization which Doug was fighting....Yet few readers were willing to acknowledge that the content of Doug's book made such a neutral point or that Doug's own presentation of his point of view was that coldly scientific".

Graham Cleverley in *Managers & Magic* (Longman's, 1971) comments: "...he coined the two terms Theory X and theory Y and used them to label two sets of beliefs a manager might hold about the origins of human behaviour. He pointed out that the manager's own behaviour would be largely determined by the particular beliefs that he subscribed to....McGregor hoped that his book would lead managers to investigate the two sets of beliefs, invent others, test out the assumptions underlying them, and develop managerial strategies that made sense in terms of those tested views of reality. "But that isn't what happened. Instead McGregor was interpreted as advocating Theory Y as a new and superior ethic - a set of moral values that *ought* to replace the values managers usually accept."

*The Human Side of Enterprise* was voted the fourth most influential management book of the 20th century in a poll of the Fellows of the Academy of Management.



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McGregor died, age 58, in Massachusetts. In 1994, the School of Adult and Experiential Learning at Antioch College was renamed the "McGregor School" in his honor. It was later renamed "Antioch University McGregor" and then "Antioch University Midwest."

### **The Management Science School**

**The Systems Approach Meaning and concepts:** In the 1960, an approach to management appeared which try to unify the prior schools of thought. This approach is commonly known as 'Systems Approach'. This approach is based on the empirical data. Initially, Weiner had created a seed for the development of systems approach. Later, Ludwing Von Bertalanffy and Kenneth Boulding evolved the General System Theory (GST). Besides, Lawrence J. Henderson, A. K. Rice, W.G. Scott, E. L. Trist, Deniel Katz, D. S. Pough, Robert L. Kahn, W. Buckley and J.D. Thompson have made significant contributions to the development of the systems approach.

They viewed organisation as an organic and open system, which is composed of interacting and interdependent parts, called subsystems. The system approach is top took upon management as a system or as "an organised whole" made up of sub- systems integrated into a unity or orderly totality.

Systems approach is based on the generalization that everything is inter-related and inter-dependent. A system is composed of related and dependent element which when in interaction, forms a unitary whole. A system is simply an assemblage or combination of things or parts forming a complex whole.

One its most important characteristic is that it is composed of hierarchy of sub-systems. That is the parts forming the major system and so on. For example, the world can be considered- to be a system in which various national economies are sub-systems.

In turn, each national economy is composed of its various industries, each industry is composed of firms' and of course a firm can be considered a system composed of sub-systems sudi as production, marketing, finance, accounting and so on.



The systems approach assists in studying the functions of complex organisations and has been utilized as the base for the new kinds of organisations like project management organisation. It is possible to bring out the inter-relations in various functions like planning, organising, directing and controlling. This approach has an edge over the other approaches because it is very close to reality. This approach is called abstract and vague. It cannot be easily applied to large and complex organisations. Moreover, it does not provide any tool and technique for managers.

### **PETER FERDINAND DRUCKER**

**Peter Ferdinand Drucker** (November 19, 1909 – November 11, 2005) was an Austrian-born American management consultant, educator, and author, whose writings contributed to the philosophical and practical foundations of the modern business corporation. He was also a leader in the development of management education, he invented the concept known as management by objectives and self-control, and he has been described as "the founder of modern management".

Drucker's books and scholarly and popular articles explored how humans are organized across the business, government, and nonprofit sectors of society. He is one of the best-known and most widely influential thinkers and writers on the subject of management theory and practice. His writings have predicted many of the major developments of the late twentieth century, including privatization and decentralization; the rise of Japan to economic world power; the decisive importance of marketing; and the emergence of the information society with its necessity of lifelong learning. In 1959, Drucker coined the term "knowledge worker," and later in his life considered knowledge-worker productivity to be the next frontier of management. Peter Drucker gave his name to three institutions: the Drucker Institute and the Peter F. Drucker and Masatoshi Ito Graduate School of Management, both at Claremont Graduate University, and the Peter F. Drucker Academy. The annual Global Peter Drucker Forum in his hometown of Vienna, honors his legacy.

Drucker grew up in what he referred to as a "liberal" Lutheran Protestant household in Austria-Hungary. His mother Caroline Bondi had studied medicine and his father Adolf Drucker was a lawyer and high-level civil servant. Drucker was born in Vienna, Austria, in a small village named Kaasgraben (now part of the 19th district of Vienna-Döbling). He grew up



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in a home where intellectuals, high government officials, and scientists would meet to discuss new ideas. These included Joseph Schumpeter, Friedrich Hayek and Ludwig von Mises. Hans Kelsen was his uncle.

After graduating from Döbling Gymnasium in 1927, Drucker found few opportunities for employment in post-World War I Vienna, so he moved to Hamburg, Germany, first working as an apprentice at an established cotton trading company, then as a journalist, writing for *Der Österreichische Volkswirt* (*The Austrian Economist*). Drucker then moved to Frankfurt, where he took a job at the *Daily Frankfurter General-Anzeiger*. While in Frankfurt, he also earned a doctorate in international law and public law from the University of Frankfurt in 1931.

In 1933, Drucker left Germany for England. In London, he worked for an insurance company, then as the chief economist at a private bank. He also reconnected with Doris Schmitz, an acquaintance from the University of Frankfurt, and they married in 1934. The couple permanently relocated to the United States, where he became a university professor as well as a freelance writer and business consultant.

In 1943, Drucker became a naturalized citizen of the United States. He then had a distinguished career as a teacher, first as a professor of politics and philosophy at Bennington College from 1942 to 1949, then twenty-two years at New York University as a Professor of Management from 1950 to 1976.

Drucker went to California in 1971, where he developed one of the country's first executive MBA programs for working professionals at Claremont Graduate University (then known as Claremont Graduate School). From 1971 until his death, he was the Clarke Professor of Social Science and Management at Claremont. Claremont Graduate University's management school was named the Peter F. Drucker Graduate School of Management in his honor in 1987 (later renamed the Peter F. Drucker and Masatoshi Ito Graduate School of Management). He established the Drucker Archives at Claremont Graduate University in 1999; the Archives became the Drucker Institute in 2006. Drucker taught his last class in 2002 at age 92. He continued to act as a consultant to businesses and nonprofit organizations well into his nineties. Drucker died November 11, 2005 in Claremont, California of natural causes at 95. He had four children and is the grandfather of tech entrepreneur Nova Spivack, one of six grandchildren. Drucker's wife Doris died in October 2014 at the age of 103.



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Drucker is considered the single most important thought leader in the world of management, and several ideas run through most of his writings:

- **Decentralization and simplification.** Drucker discounted the command and control model and asserted that companies work best when they are decentralized. According to Drucker, corporations tend to produce too many products, hire employees they don't need (when a better solution would be outsourcing), and expand into economic sectors that they should avoid.
- The concept of "knowledge worker" in his 1959 book *The Landmarks of Tomorrow*.<sup>[32]</sup> Since then, knowledge-based work has become increasingly important in businesses worldwide.
- The prediction of the death of the "Blue Collar" worker. The changing face of the US Auto Industry is a testimony to this prediction.
- The concept of what eventually came to be known as "outsourcing." He used the example of "front room" and "back room" of each business: A company should be engaged in only the front room activities that are critical to supporting its core business. Back room activities should be handed over to other companies, for whom these tasks are the front room activities.
- The importance of the nonprofit sector, which he calls the third sector (private sector and the Government sector being the first two). Non-Government Organizations (NGOs) play crucial roles in the economies of countries around the world.
- A profound skepticism of macroeconomic theory. Drucker contended that economists of all schools fail to explain significant aspects of modern economies.
- A lament that the sole focus of microeconomics is price, citing its lack of showing what products actually do for us, thereby stimulating commercial interest in discovering how to calculate what products actually do for us; from their price.
- Respect for the worker. Drucker believed that employees are assets not liabilities. He taught that knowledgeable workers are the essential ingredients of the modern economy, and that a hybrid management model is the sole method of demonstrating an employee's value to the organization. Central to this philosophy is the view that people are an organization's most



valuable resource, and that a manager's job is both to prepare people to perform and give them freedom to do so.

- A belief in what he called "the sickness of government." Drucker made nonpartisan claims that government is often unable or unwilling to provide new services that people need and/or want, though he believed that this condition is not intrinsic to the form of government. The chapter "The Sickness of Government" in his book *The Age of Discontinuity* formed the basis of New Public Management, a theory of public administration that dominated the discipline in the 1980s and 1990s.
- The need for "planned abandonment." Businesses and governments have a natural human tendency to cling to "yesterday's successes" rather than seeing when they are no longer useful.
- A belief that taking action without thinking is the cause of every failure.
- The need for community. Early in his career, Drucker predicted the "end of economic man" and advocated the creation of a "plant community" where an individual's social needs could be met. He later acknowledged that the plant community never materialized, and by the 1980s, suggested that volunteering in the nonprofit sector was the key to fostering a healthy society where people found a sense of belonging and civic pride.
- The need to manage business by balancing a variety of needs and goals, rather than subordinating an institution to a single value. This concept of management by objectives and self-control forms the keynote of his 1954 landmark *The Practice of Management*.
- A company's primary responsibility is to serve its customers. Profit is not the primary goal, but rather an essential condition for the company's continued existence and sustainability.
- A belief in the notion that great companies could stand among humankind's noblest inventions.
- "Do what you do best and outsource the rest" is a business tagline first "coined and developed" in the 1990s by Drucker. The slogan was primarily used to advocate outsourcing as a viable business strategy. Drucker began explaining the concept of outsourcing as early as 1989 in his Wall Street Journal (WSJ) article entitled "Sell the Mailroom." In 2009 by



way of recognition, Drucker was posthumously inducted into the Outsourcing Hall of Fame for his outstanding work in the field.

**Awards and honours:** Drucker was awarded the Presidential Medal of Freedom by US President George W. Bush on July 9, 2002. He also received honors from the governments of Austria, including the Grand Silver Medal for Services to the Republic of Austria in 1974, the Grand Gold Decoration for Services to the Republic of Austria in 1991 and the Austrian Cross of Honour for Science and Art, 1st class in 1999 and Japan (Order of the Sacred Treasure, 3rd class; 24 June 1966). Drucker was the Honorary Chairman of the *Peter F. Drucker Foundation for Nonprofit Management*, now the *Leader to Leader Institute*, from 1990 through 2002. In 1969 he was awarded New York University's highest honor, its Presidential Citation. For his article, "What Makes an Effective Executive", *Harvard Business Review* honored Drucker in the June 2004 with his seventh McKinsey Award — the most awarded to one person. Drucker was inducted into the Junior Achievement US Business Hall of Fame in 1996. He received 25 honorary doctorates from American, Belgian, Czech, English, Spanish and Swiss universities. His 1954 book *The Practice of Management* was voted the third most influential management book of the 20th century in a poll of the Fellows of the Academy of Management. In Claremont, California, Eleventh Street between College Avenue and Dartmouth Avenue was renamed "Drucker Way" in October 2009 to commemorate the 100<sup>th</sup> anniversary of Drucker's birth. Drucker was posthumously honored when he was inducted into the Outsourcing Hall of Fame in recognition of his outstanding contributions in the field.

**Books Published:** *The End of Economic Man, The Future of Industrial Man, Concept of the Corporation, The New Society, The Practice of Management, America's Next Twenty Years, Landmarks of Tomorrow, Managing for Results, 1967: The Effective Executive, 1969: The Age of Discontinuity, 1970: Technology, Management and Society, 1971: The New Markets and Other Essays, 1971: Men, Ideas and Politics, 1971: Drucker on Management, 1973: Management: Tasks, Responsibilities, Practices', 1976: The Unseen Revolution: How Pension Fund Socialism Came to America, 1977: People and Performance: The Best of Peter Drucker on Management, 1980: Managing in Turbulent Times, 1981: Toward the Next Economics and Other Essays, 1982: The Changing World of Executive, 1982:*



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**PETER F DRUCKER AND HIS IDEAS ON MANAGEMENT:** Among the contemporary management thinkers, Peter Drucker outshines all. He has varied experience and background which include psychology, sociology, law, and journalism. Through his consultancy assignments, he has developed solutions to number of managerial problems. Therefore, his contributions cover various approaches of management. He has written many books and papers.

The more important books are; Practice of Management (1954), Managing by Results (1964), The Effective Executive (1967), The Age of Discontinuity (1969), Management: Tasks, Responsibilities and Practices (1974), and Management Challenges for 21st Century (1999).

Some of the major contributions of Peter Drucker are as follows: 1. Nature of Management 2. Management Functions 3. Organisation Structure 4. Federalism 5. Management by Objectives and 6. Organizational Changes.

**1. Nature of Management:** Drucker is against bureaucratic management and has emphasised management with creative and innovative characteristics. The basic objective of management is to lead towards innovation. The concept of innovation is quite broad. It may include development of new ideas, combining of old and new ideas, adaptation of ideas from other fields or even to act as a catalyst and encouraging others to carry out innovation. He has treated management as a discipline as well as profession. As a discipline, management has its own tools, skills, techniques and approaches. However, management is more a practice rather than a science. Thus, Drucker may be placed in 'empirical school of management'. While taking management as a profession. Drucker does not advocate to treat management as a strict profession but only a liberal profession which places more emphasis that managers should not only have skills and techniques but should have right perspective putting the things into practice. They should be good practitioners so that they can understand the social and cultural requirements of various organisations and countries.

**2. Management Functions:** According to Drucker, management is the organ of its institution. It has no functions in itself, and no existence in itself. He sees management through its tasks. Accordingly, there are three basic functions of a manager which he must perform to



enable the institution to make its contribution for: (i) The specific purpose and mission of the institution whether business, hospital or university; (ii) Making work productive and the worker achieving; and (iii) Managing social impacts and social responsibilities. All these three functions are performed simultaneously within the same managerial action. A manager has to act as administrator where he has to improve upon what already exists and is already known. He has to act as an entrepreneur in redirecting the resources from areas of low or diminishing results to areas of high or increasing results. Thus, a manager has to perform several functions: setting of objectives, making, organising and motivating. Drucker has attached great importance to the objective setting function and has specified eight areas where clear objective setting is required. These are: market standing, innovation, productivity, physical and financial resources, profitability, managerial performance and development, worker performance and attitude, and public responsibility.

**3. Organisation Structure:** Drucker has decried bureaucratic structure because of its too many dysfunctional effects. Therefore, it should be replaced. He has emphasised three basic characteristics of an effective organisation structure. These are: (i) Enterprise should be organised for performance; (ii) It should contain the least possible number of managerial levels; (iii) It must make possible the training and testing of tomorrow's top managers—responsibility to a manager while still he is young. He has identified three basic aspects in organising activity analysis, decision analysis, and relation analysis. An activity analysis shows what work has to be performed, what kind of work should be put together, and what emphasis is to be given to each activity in the organisation structure. Decision analysis takes into account the four aspects of a decision: the degree of futurity in the decision, the impact of decision over other functions, number of qualitative factors that enter into it, and whether the decision is periodically recurrent or rare. Such an analysis will determine the level at which the decision can be made. Relation analysis helps in defining the structure and also to give guidance in manning the structure.

**4. Federalism:** Drucker has advocated the concept of federalism. Federalism refers to centralised control in decentralised structure. Decentralised structure goes far beyond the delegation of authority. It creates a new constitution and new ordering principle. He has



emphasised the close links between the decisions adopted by the top management on the one hand and by the autonomous unit on the other. This is just like a relationship between federal government and state governments. In a federal organisation, local managements should participate in the decision that set the limits of their own authority. Federalism has certain positive values over other methods of organising. These are as follows: (i) It sets the top management free to devote itself to its proper functions; (ii) It defines the functions and responsibilities of the operating people; (iii) It creates a yardstick to measure their success and effectiveness in operating jobs; and (iv) It helps to resolve the problem of continuity through giving the managers of various units education in top management problems and functions while in an operating position.

**5. Management by Objectives:** Management by objectives (MBO) is regarded as one of the important contributions of Drucker to the discipline of management. He introduced this concept in 1954. MBO has further been modified by Schleh which has been termed as management by results'. MBO includes method of planning, setting standards, performance appraisal, and motivation. According to Drucker, MBO is not only a technique of management but it is a philosophy of managing. It transforms the basic assumptions of managing from exercising control to self-control. Therefore, in order to practice MBO, the organisation must change itself MBO has become such a popular way of managing that today it is regarded as the most modern management approach. In fact, it has revolutionised the management process.

**6. Organizational Changes:** Drucker has visualised rapid changes in the society because of rapid technological development. Though he is not resistant to change, he feels concerned for the rapid changes and their impact on human life. Normally, some changes can be absorbed by the organisation but not the rapid changes. Since rapid changes are occurring in the society, human beings should develop philosophy to face the changes and take them as challenges for making the society better. This can be done by developing dynamic organizations which are able to absorb changes much faster than static ones. Drucker's contributions have made tremendous impact on the management practices. His contributions have been recognised even by the management thinkers of Socialist Bloc.



Code No.: 4111

Sub. Code: DB 1 A/ DNB 2 A

**BBA DEGREE EXAMINATION, MAY 2017.**

**First Year – Non - Semester**

**Business Administration – Main (DD & CE)**

**PRINCIPLES OF MANAGEMENT**

**Time: Three hours**

**Maximum: 100 marks**

**PART A – (5 x 5 = 25 marks)**

**Answer any FIVE questions out of Eight.**

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

**PART B – (5 x 15 = 75 marks)**

**Answer any FIVE questions out of Eight.**

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

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