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PRINCIPLES OF TOURISM MANAGEMENT
(BTTMN-302)

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UNIT 1: MANAGEMENT- NATURE, DEFINITION, CHARACTERISTICS AND IMPORTANCE

Structure

- 1.0 Introduction
- 1.1 Objectives
- 1.2 Meaning of Management
- 1.3 Definitions of Management
- 1.4 Nature or Characteristics of Management
- 1.5 Importance of Management
- 1.6 Summary
- 1.7 Self-Assessment Questions
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1.0 Introduction

It is the management which plans, organises, coordinates and controls the affairs of an organisation. Every organisation makes use of money, machinery and manpower. Management is required to assemble and coordinate these resources in the best possible manner for the achievement of the objectives of the organisation.

1.1 Objectives

The following objectives are reviewed:-

- To understand the Conceptual Framework of Management.
- To understand the Importance of Management.

1.2 Meaning of Management

The word 'management' can be styled as: Management (i.e., management tactfully). Why manage men tactfully? This is with view to get the things done. In order to manage men tactfully, one has to understand the highly unpredictable and uncertain human nature. Owing to this management is very complicated and challenging activity.

The term 'management' can be defined in several ways. As a noun or a body of individuals, management refers to all those persons who are concerned with getting things done from others. The Prime Minister of a country is as much a manager as the Managing Director of a company and the commander of an army.

The Board of Directors, the Managing Director, the General Manager down to the first line supervisor are included in management. As a subject of study or a Discipline, management implies that branch of knowledge which is concerned with the study of the principles and practices of Management. As a process, management refers to the functions which are performed by managers to make productive use of material and human resources so as to achieve the desired objectives. Thus, the functions of planning, organising, staffing, directing, coordinating and controlling lie under the process of management. There are few who describe it as a technique of leadership and decision making or a means of coordinating, while some others have interpreted management as an economic resource, a factor of production or a system of authority.

Though used in different senses, the term management as a process is most popular. Thus, management may be defined as the sum total of all those activities which are undertaken to plan, organise, direct and control the efforts of others to serve the interests of all. It involves the coordination of human efforts and physical resources towards the achievement of organisational, individual and social objectives.

1.3 Definitions of management

The term management has been defined differently by different writers. Few of the important definitions of management classified on the basis of their concept are discussed below:

(A) Functional concept as a process, management is what a manager performs.

“Management is that function of an enterprise which concerns itself with the direction and control of the various activities to attain the business objectives”

- William Spriegel

“Management is the planning, organising command, coordination and control of the technical, financial security and accounting activities.”

- Louis A. Allen

“Management is the process by which a corporate group directs action towards a common goal”. -Joseph Messie

“Management is a distinct process consisting of planning, organising, activating and controlling performed to determine and accomplish the objectives by the use of human beings and other resources.”

- George R. Terry

“To manage is to forecast and plan, to organise, to command, to coordinate and to control.”

- Henry Fayol

Management is a social process entailing responsibility for the effective and economical planning and regulation of the operations of an enterprise in fulfilling of a given purpose or task, such responsibility involves:

(a) Judgment and decision in determining plans and in using data to control performance and progress against plans; and (b) The guidance, integration, motivation and supervision of the personnel composing the enterprise and carrying out its operations.
- *E.F.L. Brech*

(b) Human relation concept management as a technique of getting things done.

1. "Management is the art of directing and inspiring people."

- J.D. Mooney, and A.C. Railey

2. "Management is getting things done through the efforts of other people".

- Lawrence A. Appley

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

- S. George

4. "Management is the art of getting things done through and with people informally organized groups. It is the art of creating an environment in which people can perform as individuals and yet co-operate towards attainment of group goals. It is an art of removing blocks to such performance, a way of optimizing efficiency in reaching goals."

- Horald Koontz

(c) Leadership and decision making concept management as an art and science of decision making and leadership.

1. "Management is the art and science of decision making and leadership".

- Donald J. Clough

2. "Management is the art and science of preparing organising and directing human efforts to control the forces and utilise the material of a nature for the benefit of men".

- American Society of Mechanical Engineers

3. "Management is the function of executive leadership anywhere."

- Ralph, C. Davis

4. "Management means decision making"

- Ross Moore

5. "Management is simply the process of decision making and control over the action of human beings for the express purposes of attaining predetermined goals".

- Stanley Vance

6. "Management may be defined as "a technique by means of which the purposes and objectives of a particular human group are determined, clarified and effectuated."

- *Dean Elmore Peterson and E. Grosvenor Plowman*

(d) Productivity concept management as a technique of increasing productivity.

1. "Management is the art of knowing what you want to do.....in the cheapest way."
- *F.W. Taylor*

2. "Management may be defined as the art of securing maximum results with a minimum of effort so as to secure maximum prosperity and happiness for both employer and employee and give the public the best possible service."

- *John F. Mee*

(e) Integration concept management as the coordinator of human and material resources.

1. "Management is the force that integrates men and physical plant into an effective operating unit."

- *Keith and Gubellini*

2. "Management is the total task of welding into a single working force men, money, machinery, materials and methods."

- *Mrityunjoy Banerjee*

3. "Management is, a cooperation of the human and material resources essentially in the effective and efficient attainment of objectives."

- *Robert, L.Trewatha and M. Gene Newport*

4. "Management consists in guiding human and physical resources into a dynamic, hard hitting organisation unit that attains its objectives to the satisfaction of those served and with a high degree of morale and sense of attainment on the part of those rendering the service."

- *Lawrence, A. Appley*

5. "Management entails the coordination of human and material resources towards the achievement or organisational objectives as well as the organisation of the productive functions essential for achieving stated or accepted economic goals."

- *Barry M. Richman*

6. "Business management is human activity which directs and controls the organisation and operation of a business enterprise. Management is centred in the administrators or managers of the firm who integrate men, material and money into an effective limit."

- *Wheeler*

An analysis of the above definitions makes it clear that management has been viewed in different senses laying stress on different aspects of management. The classification of definitions is neither rigid nor specified. This has been done keeping in view the main thrust of definitions. Thus, there can be overlapping in this classification. It may not be appropriate to define management in terms of only one aspect. For instance, when one says management is what manager performs, the social and human aspects of management are not considered. Similarly, the definition, "management is management of people and not things," is also incomplete and it gives more weight to the contribution of workers and under estimates the contribution of other factors of production.

As the process of decision making and leadership, management seeks to achieve optimum use of human and material resources. But management is much wider than simply taking executing decisions. It involves integration of individual effort into team work.

Management as the coordinator of human and material resources is the most appropriate concept of management. Optimum utilisation of available resources is impossible without proper integration and coordination. It identifies the functions which a manager has to perform. But it is essential to keep in view the social and human obligations of management while describing the functions or process of management.

To conclude, we can say that various definitions of management do not run contrary to one another. Management is the sum total of all those activities that (i) determine objectives, plans, policies and programmes; (ii) secure men, material, machinery cheaply (iii) put all these resources into operations through sound organisation. (iv) direct and motivate the men at work. (v) supervise and control their performance and (vi) provide maximum prosperity and happiness for both employer and employees and public at large.

Activity - 1.1

Q. Explain the definition given by Lawrence A. Appley.

Ans.
.....
.....
.....

1.4 Nature or characteristics of management

An analysis of the definitions discussed earlier reveals certain features of management. We now embark upon such features/ characteristics which illustrate the nature of management. Such features are as follows:

(1) It is a process. As a process management involves those techniques by which the managers coordinate the activities of other people. Stanely Vance has stated five basic ingredients in the management process (i) decision on a course of action; (ii) obtaining the necessary physical means; (iii) enlisting others to assist in the performance of requisite tasks; (iv) seeing that the job is properly accomplished and (v) the apportioning the product of the joint venture.

In studying management as a process, various managerial activities are taken as a basis for defining management. Management is the planning, organizing, staffing, directing and controlling the activities of people working in a group in order to achieve the objectives of the group.

(2) It is a social process. Management is a social process because management functions are basically concerned with relations among the people. It is called a social process since the efforts of human beings have to be directed, coordinated and regulated by management. Moreover, management has a social obligation, to make optimum utilisation of scarce resources for the benefit of the community as a whole. The human factor is inseparable from management. "It is the pervasiveness of this human element that gives management its special character as a social process."
— Brech

(3) Group effort. Management always refers to group efforts and does not apply to an individual. Appley calls it "efforts of other people" while Harold Koontz speaks of "informally organized groups". Sir Charles Renold refers it as, "agency of a community". Massie calls it "cooperative group", management of an enterprise can be easily and effectively attained by a group rather than an individual.

(4) Attainment of pre-determined objectives. Group efforts in management are always directed towards the achievement of some pre-determined objectives. These objectives are the final goals of an enterprise towards which all management activities have to be oriented. According to Theo Haimann: "Effective management is always management by objective". "Effective management is extremely difficult to attain without definite objectives." (Terry) "Management must set objectives. Without objectives management would be difficult, if not impossible".
— Hynes and Massie

(5) It is a distinct entity. "Management is a separate and distinct entity. It is quite different from the various functional activities and the techniques and procedures which are generally considered as belonging to the field of management". The chief function of the manager is not to do but to get things done through others. For performing his functions effectively a manager requires, knowledge, skill and practice. It is necessary to make a distinction between managerial skill and skill required for specialised jobs. Specialised knowledge and technical skill are essential for successful solution of any problem but basically such knowledge is not considered necessary for efficient management. A manager is expected to be a generalist and not a specialist.

(6) It is a system of authority. Decision making and organizing functions cannot be performed unless management is construed as a system of authority which implies hierarchy of command and control. Since management is a process of directing men to perform a task, authority to accomplish the work from others is

implied in the very concept of management. In every enterprise there are built up levels of authority to decide, direct and control the business operations. Authority is considered to be basis for performance of managerial functions. Authority is considered to be basis for performance and power to get them executed. "In a very real sense, management in a rule-making and rule-enforcing body, and within itself it is bound together by a web of relationship between superiors and subordinates."

(7) Universality of management. Perhaps there is no more important area of human activity than managing which is a universal application. Fayol was the man who contributed certain principles of management which apply more or less in every situation. He observed, "Be it a case of Commerce, Politics, Religion, War.....in every concern there is management functions, to be performed."

(8) It is needed at all levels. An important feature of management is that it applies to all levels of an organisation. The lowest level supervisor has also to perform the function of decision making just like the high level executives. The only difference is of the nature of task and scope of authority.

(9) It is discipline. Management today has its organised body of knowledge, principles and techniques. It is taught in colleges and universities like other disciplines such as Economics, Sociology, Psychology, Political Science, etc. Thus, the term management is also used to describe a field of learning. Management is fast developing as a discipline and its scope and status is bound to increase in the times to come.

(10) It is an integrative process. The essence of management is integration of human and other resources in a manner that it leads to effective performance. All these resources are made available to those who manage. Managers apply knowledge experience and principles for getting the results. In other sense, it seeks to harmonise the individual goals with organisational goals.

(11) It is an art as well as a science. Management is both a science and an art. It has elements of art and has characteristics of science. It is considered to be a science as it has developed certain principles, laws, generalisations which are more or less universal in nature and are applicable wherever the efforts of a group are to be coordinated. It is regarded as an art because managing requires certain skills which are the personal possession of the managers.

(12) It is a profession. Management is now recognised as a profession as it possesses all the attributes of profession. It has a specialised body of knowledge, principles and techniques and that can be taught and transferred. It follows a scientific approach, involves special skills and tools and adheres to a code of ethics.

1.5 Importance of Management

Management has been important to the daily lives of people in groups since long. Therefore, a question is raised that if the management has been so important for human lives, why it has assumed added importance In the present-day society. The possible answer of this question can be traced in the context of emergence of large-sized organisations. The management of these organizations has become much more complex than what it used to earlier. Along with the size, another

dimension which has added to the complexity of managing is the changing nature of society and its various constituents. Therefore, the issue before the present-day managers is how to take care of these changes so that organisations achieve their objectives. Thus, management has become crucial not only for the organizations but for the society too. Even classical writers on management have recognised its importance long back. For example, Urwick has commented that:

"No ideology, no ism, or political theory can win greater output with less efforts from a given complex of human and material resources, only sound management. And it is on such greater output that a higher standard of life, more leisure, more amenities for all must necessarily be found."

The Importance of management may be traced in the following contexts:

1. Effective utilization of resources: Management tries to make effective utilization of various resources. The resources are scarce in nature and to meet the demand of their society, their contribution should be maximum for the general interests of the society. Management not only decides in which particular alternative a particular resource should be used, but also takes actions to utilise it in that particular alternative in the best way.

2. Development of Resources: Management develops various resources. This is true with human as well as non-human factors. Lawrence Appley has emphasized that management is the development of people. However, most of the researches for resource development are carried on in an organised way and management is involved in these organised activities. Thus, through the development of resources, management improves the quality of lives of people in the society.

3. To incorporate innovations: Today, changes are occurring at a very fast rate in both, technology and social process and structure. These changes need to be incorporated to keep the organisations alive and efficient. Business organizations are moving from primitive to sophistication. Therefore, they require high degree of specialization, high level of competence, and complex technology. All these require efficient management so that organizations work in the most efficient way.

4. Integrating various interest groups: In the organized efforts, there are various interest groups and they put pressure over other groups for maximum share in the combined output. For example, in the case of a business organization, there are various pressure groups such as shareholders, employees, government, etc. These interest groups have pressure on an organization. In a more advanced and complex society, more such pressure is on the organization. Management has to balance these pressures from various interest groups.

5. Stability in the Society: Management provides stability in the society by changing and modifying the resources in accordance within the changing environment of the society. In the modern age, more emphasis is on new inventions for the betterment of human beings. These inventions make old systems and factors mostly obsolete and inefficient. Management provides integration between traditions and new inventions, and safeguards society from the unfavourable impact of these inventions so that continuity in social process is

maintained.

1.6 Summary

Management is universal or to say that management principles are universal implies that all formal organizations, irrespective of their nature, need management. The basic functions that a manager performs are the same whether it is political Organisation, an educational institute, a religious Organisation, a cultural body, an urban centre or a business enterprise. When describing management as universal, we refer to the widespread practice of management in all types of organizations. One cannot bring group of people together regardless of the nature of the work, and expect them to accomplish objectives unless their efforts are co-ordinated. Among other things plans must be outlined, tasks identified, authority relationships specified lines of communications established and leadership exercised. Management, therefore, is required before any organisation can expect to be effective. Managers are decision makers who plan, organise, lead and control regardless of the nature of organisation.

1.7 Self-Assessment Questions

A. Very short Answer Question.

Ques.1 Explain the term management.

Ques.2 Define management as an art.

B. Short Answer Questions.

Ques.1 Explain management as a Process

C. Long Answer Questions.

Ques. 1 Explain the characteristics of Management.

1.8 Further Readings

1. LM Prasad : Principles and Practice of Management (Sultan Chand & Sons)
2. George R Teery :Principes of Management (Richard D Irwin Inc)
3. Harold Koontz and Heizweihrich : Essentials of Management (Mcgraw Hill series in Management)

UNIT 2: EVOLUTION OF SCIENCE AND ART OF MANAGEMENT AND THE CORE MANAGEMENT THOUGHTS

Structure

- 2.0 Introduction
- 2.1 Objective
- 2.2 Evolution of Science and Art of Management
 - 2.2.1 Management as Science or Art
 - 2.2.2 Management as Science
 - 2.2.3 Management as Art
 - 2.2.4 Management: Both Science and Art
- 2.3 Evolution of Management thought
- 2.4 Classical Theories of Management
 - 2.4.1 Bureaucratic Model
 - 2.4.2 Scientific Management
 - 2.4.3 Elements and Tools of Scientific Management.
 - 2.4.4 Principles of Scientific Management.
 - 2.4.5 Fayol's Administration.
 - 2.4.6 General Principles of Management.
 - 2.4.7 Comparison of Taylor and Fayol.
- 2.5 Summary
- 2.6 Self-Assessment Questions.
- 2.7 Further Readings



2.0 Introduction

The situation started changing with the beginning of the 20th century; specially the World War I created the situation where people started thinking of solution to the problem of how limited resources could be applied in better way. The World War II added further problem to this end. Growing competition and complexity of managing large business organisation further provided impetus to developing systematic management concepts and principles. In recent years, there has been

worldwide rivalry for markets, power and progress. The increasingly severe competition has come from such factors as:

- (i) technological innovations and their dissemination in business,
 - (ii) growing technological obsolescence,
 - (iii) increase in capital investment,
 - (iv) freedom at national and international markets,
 - (v) increasing buyer' sovereignty in the markets. Besides the growing competition in business, the complexity of managing business also has increased due to
 - (i) increasing size of business organisations,
 - (ii) high degree of division of labour and specialisation,
 - (iii) increased government regulations and controls to make business more socially-oriented,
 - (iv) organised union activities to put pressures on management , pressure of various conflicting interest groups to meet their demands from the organisations.
- Both these factors—growing competition and complexity in managing business—have demanded the efficiency in management process which can come not merely by trial and error methods but by developing and applying sound management concepts and principles.

These factors emerged gradually which attracted the attention of a wide variety of intellectuals—economists, sociologists, psychologists anthropologists, mathematicians, and management practitioners—to study the organisations and processes through which these organizations could be made more effective. Each of these groups of intellectuals viewed the organisations and the processes therein in a particular way and made recommendations accordingly.

2.1 Objectives

The following objectives are reviewed:-

- To understand the reasons for developing management thought over the period of time.
- To identify various thoughts and approaches in management and their applicability in the present context.

2.2 Evolution of Science and Art of Management

2.2.1 Management as Science or Art

The controversy with regard to the nature of management as to whether it is a science or an art is very old. This controversy however, is not very much in the air though the controversy is yet to be settled. Specification of exact nature of management as science or art or both is necessary to specify the process of learning of management. It is to be noted that the learning process in science

differs from that of art. Learning of science basically involves the assimilation of principles while learning of art involves its continuous practice.

Much of the controversy of management as science or art is on account of the fact that the earlier captains of industry and managers have used intuition, commonsense, and experience in managing organizations. They were not trained professional managers, although they were very brilliant and had developed commonsense through which they managed well. Commonsense and science differ in the following ways:

1. Commonsense is vague as compared to scientific knowledge.
2. Flagrant inconsistency often appears in commonsense whereas logical consistency is the basic of science.
3. Science systematically seeks to explain the events with which it deals; commonsense ignores the need for explanation.
4. The scientific method deliberately exposes claims to the critical evaluation of experimental analysis; commonsense method falls to test conclusions in any scientific fashion.

Science is based on logical consistency, systematic explanation, critical evaluation and experimental analysis. Thus, science can be defined as follows: "Science is a body of systematized knowledge accumulated and accepted with reference to the understanding of general truths concerning a particular phenomenon, subject, or object of study."



Thus, science is a systematized body of knowledge. The process of scientific theory construction and confirmation can be viewed as involving the following steps:

1. The formulation of a problem or complex of problems based on observation;
2. The construction of theory to provide answers to the problem or problems based on inductions from observations;
3. The deduction of specific hypotheses from the theory;
4. The recasting of the hypotheses in terms of specific measures and the operations required to test the hypotheses;
5. The devising of actual situation to test the theorem; and
6. The actual testing in which confirmation does or does not occur.

2.2.2 Management as science

Judging from the above features of formulation of theory in science, management cannot be regarded as science because it is only half-way. It may be called 'inexact sciences' or 'pseudo-science'. Perhaps this is true for all social sciences of which management is a branch. Management is not as exact as natural or physical sciences are. This phenomenon can be explained as follows:

1. Science may be viewed in terms of its structure, its goals, and its methods. In terms of its structure, it is a number of scientific disciplines: physics, biology, psychology, economics, management and many others. Each of these sciences attempts to provide a set of internally consistent hypotheses, principles, laws, and theories dealing with an aspect of total knowledge. To the extent a science is mature. Such internal consistency may be attained but there are many young sciences like management that only approximate this state.

2. One of the most important rules of science is that concepts have to be defined clearly in terms of the procedures involved in their measurement. One has to know exactly what one is talking about while using a particular term. Meanings have to be clear and unambiguous to avoid confusion and erroneous classification. However, in management, various terms are not used in the same way and giving same meaning. Even the major terms like management and organization are used in different ways. The reason for this phenomenon is quite simple. Since the second decade of the last century, a number of disciplines have claimed to contribute to human knowledge of managing. These disciplines have been immature to be a science. The consequence has been almost unfathomable confusion over the various terms, a confusion in which ambivalence in using the various terms has played a conspicuous part.

3. In Science, observations must be controlled so that causation may be imputed correctly. The most common method of eliminating a given factor as possible cause of an event is to hold it constant-to keep it from varying so that It cannot operate as a source of change. This is a difficult rule to follow, especially in studying organisational phenomena. Various research studies in management have suffered because of the bias of researchers. In many studies, for example, a variable that was thought to be irrelevant was found to exert a causal influence. However, the effort to identify factors that must be controlled and to develop procedures to accomplish this is a continuing one. To the extent that this effort is successful, reliability of perception and reasoning, and hence valid explanation, is possible.

4. Theories in science are in terms that permit empirical confirmation. Scientific statements are testable and the tests are capable of repetition with some result. Furthermore, explanatory statements are logically consistent with other explanatory statements that have been frequently confirmed. Thus, rationality of total scientific system is maintained. However, this does not happen in management exactly. Many of the management principles lack empirical evidences and are not testable. Further, these principles do not give similar results under varying conditions and, therefore, lack universal application. No doubt, attempts are being made to evolve principles in management on the basis of

scientific observations which may have universal application but still the process is in an evolutionary stage. Until such principles are not evolved management cannot be called a science in its true sense.

The various factors analysed above suggest that management is not a pure science but it can be simply called 'inexact science'. This is so because management also makes use of scientific methods in evolving principles. Therefore, it bears partial characteristics of science. In fact many people have suggested that with greater use of mathematics and statistics in management, the direction is towards more and more use of true science in management.

2.2.3 Management as Art

Management can be regarded as art also. The meaning of art is related with the bringing of a desired result through the application of skills. Whereas under science, one learns the 'why' of a phenomenon, under art, one learns the 'how' of it. Art is 'thus' concerned with the understanding of how particular work can be accomplished, that is, art has to do applying knowledge or science or expertness in performance.

This is especially important in management because in many instances, much creativity and adroitness in applying the managerial efforts are necessary to achieve the desired results. Furthermore, the adequate consideration of people involved in managerial action is vital and adds to the concept of art of managing.

Science and art are complementary fields of endeavour; they are not mutually exclusive. The medical doctor requires the knowledge of science of chemistry, biology, and anatomy. But excellence in absorbing these funds of knowledge does not make him an excellent physician. He has to apply his wealth of knowledge expertly, and his skill in perceiving how and when to use his knowledge is essential to his success in preventing and controlling diseases of mankind. Therefore, knowledge is not the sole qualification. Management is an art can be seen from the following facts:

1. The process of management does involve the use of know-how and skills like any other art such as music, painting, sculpture, etc.
2. The process of management is directed to achieve certain concrete results as other fields of art do.
3. Management is creative like any other art. Creativity is a major dimension in managerial success. It creates new situations for further improvement.
4. Management is personalized meaning thereby that there is no 'one best way of managing. Every person in his profession has individual approach and technique in solving the problems. The success of managerial task is related with the personality of the person apart from the character and quality of general body of knowledge

2.2.4 Management: Both Science and Art

Thus, to be a successful manager, a person requires the knowledge of management principles and also the skills of how the knowledge can be utilised. Absence of either will result in inefficiency. A comparison between science and art suggest that a manager requires both aspects of management to be successful.

It can be seen that management uses both scientific knowledge and art in managing an organization. As the science of management increases so should the art of management. A balance between the two is needed. Neither should be overweighed or slighted. Some feel that further gains in science of management will restrict art more and more. This is true to a limited extent only. The fact remains that to be useful, knowledge of science must be applied, that is, art must be present. Therefore, the old saying that 'knowledge is power' is partially true. The correct saying should be 'applied knowledge is power'. People having abundant knowledge may have little use if they do not know how to use knowledge. This is particularly true for management which is a situational phenomenon.

2.3 Evolution of Management Thought

The management thought or theory in the current economic situation (1980 onwards) can best be understood in the light of its historical growth particularly since 1900. Similarly, the future of management thought can be anticipated by knowledge of the past as well as understanding of the present. We deal with the evolution of management theory and concepts and then we will have a firm grasp over the current thoughts on management, viz. systems approach and contingency approach to organisation and management.

The evolution of management thought may be divided into three broad stages :

(A) The classical theory of management comprising three streams : (i) Bureaucracy; (ii) Scientific Management; and (iii) Process Management Theory describing the process of management. Weber introduced bureaucracy around 1900. F.W. Taylor introduced scientific management around 1910. H. Fayol inaugurated process management (functional or administrative management) around 1910.

(B) The neo-classical theory covered two streams dealing with human factor, viz. (i) Human Relations; and (ii) Behavioural Sciences Approach.

E. Mayo and Roethlisberger pioneered human relations movement around 1930. Maslow, McGregor, and others launched behavioural sciences movement around 1940. (Refinement of human relations movement).

(C) The Modern Management theories again comprised three streams of thought; (i) Technical and quantitative sciences offering quantitative decision-making through operations research and with the help of computer and information system; (ii) Systems approach to organisation and management, and (iii) Contingency approach to organisation and management.

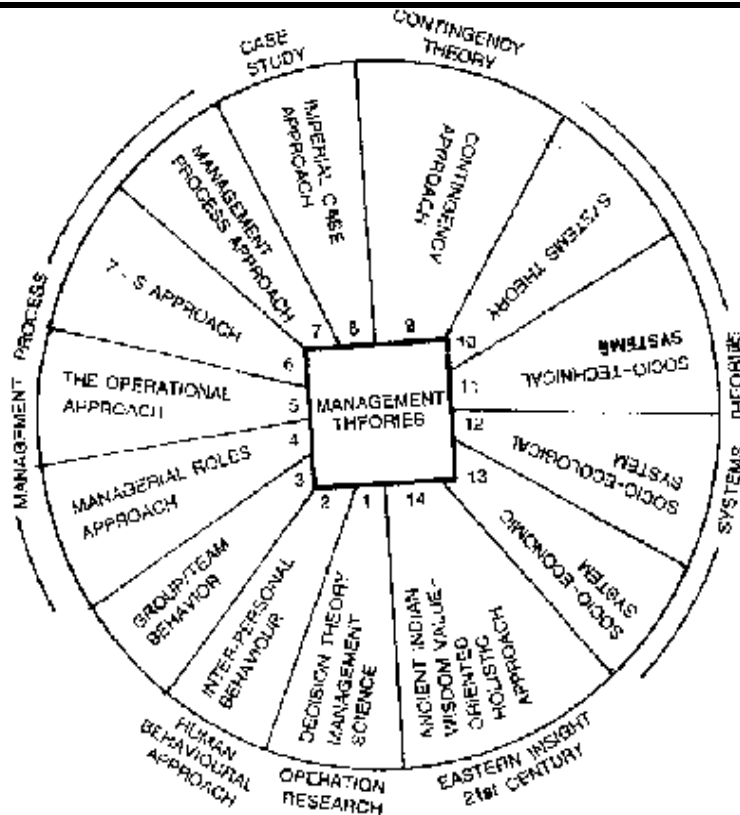


Fig. Schools of Management Thought/Approach

The following Management Theories are described below in this lesson:

A. Classical Theory of Management / Organisation

1. Bureaucracy
2. Scientific Management
3. Management Process.

B. Neo-classical Approaches

1. Human Relations/ Behaviour,
2. Behavioural and Social Sciences.

C. Modern Streams of Management Thought.

1. Management Science (Quantitative Approach).
2. Systems Approach.
3. 7-S Approach.
4. Operational Approach.
5. Managerial Roles Approach.
6. Contingency Approach.



D. Management Thought: *Indian Wisdom (Value-Oriented Holistic Approach)*

Let us term our approach to Management Thought in the 21st century as Eastern Insight expressed in Japanese Management also.

Quantitative approach to management, sometimes called operations research or management science, was developed during World War II by Blackett, Churchman and others and it was applied in business management around 1950. Systems approach was introduced by Bertalanffy, Boulding and others around 1960. Contingency approach was introduced by Joan Woodward, Fiedley, P. Lawrenc, J. Lorsh and others around 1970 and it seems better suited to lead management out of the so-called management theory jungle. In fact, contingency approach was pioneered by Pigors and Myers in personnel management particularly even before 1970. Today, contingency approach integrates admirably all prior management thoughts and we now recognise that an organisation is an open adaptable system and it has three sub-systems. viz: (i) Human or social system dealing with human resources, (ii) Transformation or technical system for processing inputs into outputs, and (iii) Management or administrative system in charge of managing technical and social systems. In the 21st century we hope that in the Management World, enlightened Management in India and abroad would introduce Indian Wisdom (Value-oriented Holistic Approach for Effective Management, so that Management can solve all problems arising out of absence of human and ethical values, e.g., Corruption, Exploitation, Pollution, etc., and enterprises would restore their bright image.

2.4 Classical theories of management

At about 1900, a set of principles and concepts about organisation and management, now called as classical theory, began to be extensively developed. Even at present the influence of classical theory of organisations is quite remarkable. The existence of complex and large organisations even today can be accounted appreciably through classical concepts of management thought. Under classical theory of management, an organisation is the structure of the relationships, objectives, roles, activities and other factors when persons work together. This point of view regarding an organisation is expressed fully by three streams of the classical theory, viz: (i) Bureaucracy; (ii) Scientific Management; and (iii) Process Management. We have mechanistic structure of an organisation and it is considered as a closed system. Let us describe the three streams of classical theory of management.

Features of Management in the Classical Period : (1) It was closely associated with the industrial revolution and the rise of large-scale enterprise which demanded the development of new forms of organisation and management practices. (2) Traditional or classical organisation and management theory is based upon contributions from a number of sources, including scientific management, administrative management theory, the bureaucratic model, micro economics and public administration. (3) Management thought is focussed on (a) job content, (b) structure, (c) division of labour, (d) tasks of management (e) standardisation, simplification and specialisation. (f) Scientific approach towards

organisation and management, (g) primary incentives based on the economic and physiological needs of the workers.

Traditional theory was based on three pillars: (1) bureaucratic model. (2) Scientific management and (3) administrative or process management theory. We will describe, in brief, these three pillars.

2.4.1 Bureaucratic Model (Max-Weber— 1864-1920)

The first pillar or thread in the classical organisation and management theory was systematically provided by Max Weber (1864-1920) a German Sociologist. He offered bureaucratic model for management of any large and complex organisation in any branch of human activity. He considered bureaucracy as the most efficient form for a complex organization.

Elements of Bureaucracy: The elements of bureaucracy are vital parts of modern business, governmental, educational and other complex organisations. These elements are: (i) Hierarchy of authority involving superior—subordinate relationship and chain of command;

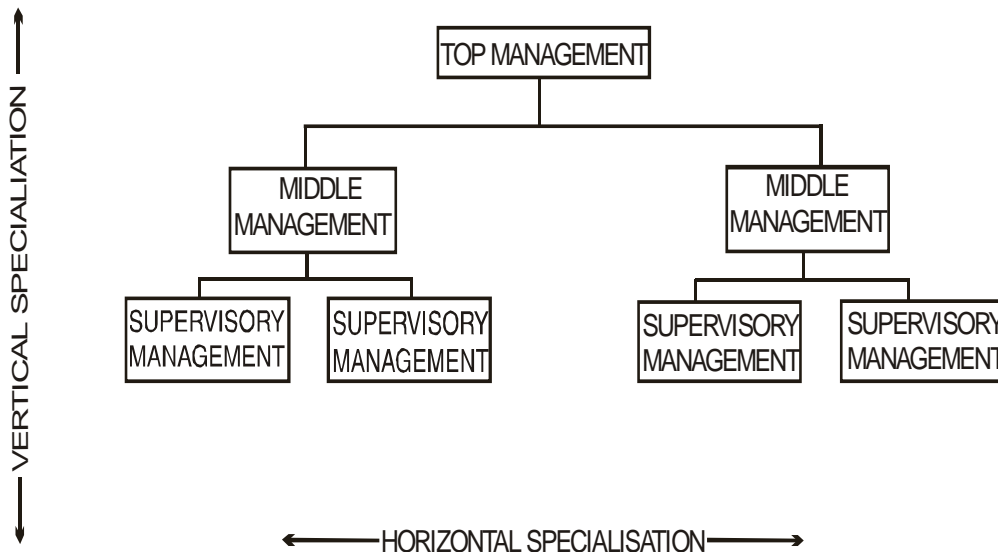


Fig. The Bureaucratic Structure

(ii) Clear-cut division of work, based upon competence and functional specialization. An ordered hierarchy takes the advantage of specialisation; (iii) A system of rules, regulations and procedures. A bureaucrat seeks rationality routine, objectivity and consistency for his organisation. Behaviour is subject to systematic discipline and control; (iv) A rule by law leads to impersonality of interpersonal or mutual relations. Interpersonal relations are based on positions and not on personalities. We have mechanical and impersonal behaviour; (v) A system of work procedures involving standardisation of methods; (vi) Selection and promotion of employees based upon managerial and/or technical competence; and (vii) Authority and power rest in the office. Bureaucracy recognises only legal power and authority given to each office or position in the organisation. The power does not belong to an individual. It is a part of the office.

Assessment of Bureaucracy

Bureaucracy provided a rigid machine model of an organisation. It could not account for humanistic model of an organisation which could recognise importance of human, interpersonal or mutual relations in an organisation. Bureaucratic organisation may be preferred where change is not anticipated or where rate of change is slow and it can be predicted. In a stable or static organisation (considered as closed system) bureaucracy can work and may be preferred. It is usual in government and in many stable large businesses. But in a dynamic business organisation (considered as an open system) we cannot use bureaucracy. There are many glaring disadvantages in bureaucratic organisations: rigidity, impersonal and mechanical or dehumanised environment, higher cost of controls, tendency to forget ultimate goals of the organisation, self-perpetuation and empire building, difficulty of co-ordination and communication, blind faith in rules, regulations and procedures. Above all, bureaucracy cannot offer satisfaction of higher level wants of employees and to that extent it fails miserably to exploit fully the human potential. It offers limited scope for the development of human resources or for management development. Many of the problems of bureaucracy probably would be reduced if the individual needs and characteristics of all people are remembered and are duly considered in making managerial decisions. In other words, we must humanize bureaucracy.

Note: (1) The term bureaucracy is currently used in two ways : (a) technically, as by Weber, and (b) popularly, to characterize the red tape and inefficiencies of governmental administration. (2) Bureaucracy seems to naturally and logically evolve as organizations become larger and more complex.

2.4.2 Scientific Management (F.W. Taylor)

F.W. Taylor (1856-1915) eventually become acclaimed as “the Father of Scientific Management.” He provided a base upon which much of our current thinking about management is firmly established. He published his famous book ‘The Principles of Scientific Management in 1911.

Taylor, Gilbreth, (Frank and his wife, Lillian), Gantt and others launched what they called scientific management. According to these experts it was not proper to just find a way of doing something. A manager has to find the one right way. They used time and motion study for developing a right way. According to them analysis, planning and control of work should be separated from the execution of work and management should be responsible for detailed analysis, investigation and planning of work in advance whereas workers should be responsible for the performance of the work as per plans.

Scientific management revolutionised the entire shop or plant management. It led to the development of time and motion study, and it refined wage incentive plans. It provided necessary foundation for industrial engineering. If we take a broad view of Taylorism or scientific management, the contributions of Taylor and his eminent followers were truly outstanding and many features of their contributions have proved to be enduring and classical. The basic theme of Taylor was that managers should study work scientifically in order to identify “one best way” to get the job done. Taylor codified his ideas in terms of certain principles which were very

popular. The essence of positive view of scientific management was described by Taylor as follows :

(i) All jobs can be observed and analyzed in order to determine the *one best way* of accomplishing them. Management must use scientific, rather than the rule of thumb approach. (ii) The best man for the job can be scientifically selected and trained. (iii) You can insure that the *one best way* is followed by paying the man on incentive basis tying his wage or salary to how much he produces. (iv) Put a manager in charge of analyzing, planning, preparing and inspecting work. The worker simply carries out the directions and instructions issued by the manager. (v) Harmonious organization can be obtained by assigning the appropriate man to each set of operations. This will prevent any discord. (vi) Management has to choose the best means of economical production. Specialization of workers is essential to increase efficiency of production. (vii) Co-operation between labour and management can be achieved. This will ensure maximum output, in place of restricted output by workers. (viii) A striving for enterprise and the development of each man to his greatest efficiency and prosperity must be accomplished. (ix) Workers must be inspired or trained to use the scientific methods developed through time and motion study. (x) Management must organize in such a way that it can properly manage and carry out its duties. Frank and Lillian Gilbreth, Henry Gantt, George Berth, Edward Felen, etc. Scientific management was concerned essentially with improving the operational efficiency at the shop floor level. Taylor has defined scientific management as follows :

“Scientific management is concerned with knowing exactly what you want men to do and then see in that they do it in the best and cheapest way.”

Since Taylor has put the emphasis on solving managerial problems in a scientific way, often, he is called as father of scientific management and his contributions as the principles of scientific management. Though his contributions have become traditional in present day context, still the label scientific management is used for his contributions. It does not mean that present-day management thoughts and practices are not scientific. In fact, management as a science has been taken much later than the contributions of Taylor.

Taylor joined Midvale Steel Company in U.S.A. as a worker and later on became supervisor. During this period, he continued his studies and eventually completed his M.E. (Master of Engineering). Subsequently, he joined Bethlehem Steel Company. At both these places, he carried experiments about how to increase the efficiency of people. Even after his retirement, he continued to develop scientific management. On the basis of his experiments, he published many papers and books and all his contributions were compiled in his book ‘Scientific Management’. Taylor’s contributions can be described in two parts: elements and tools of scientific management and principles of scientific management.

2.4.3 Elements and Tools of Scientific Management :

Taylor conducted various experiments at his work places to find out how human beings could be made more efficient by standardizing the work and better method

of doing the work. These experiments have provided the following features of scientific management.

1. Separation of Planning and Doing. Taylor emphasized the separation of planning aspect from actual doing of the work. Before Taylor's scientific management, a worker used to plan about how he had to work and what instruments were necessary for that. The worker was put under the supervision of a supervisor commonly known as gang boss. Thus, supervisor's job was merely to see how the workers were performing. This was creating a lot of problems, and Taylor emphasized that planning should be left to the supervisor and the worker should emphasize only operational work.

2. Functional Foremanship. Separation of planning from doing resulted into development of supervision system which could take planning work adequately besides keeping supervision on workers. For this purpose, Taylor evolved the concept of functional foremanship based on specialization of functions. In this system, eight persons are involved to direct the activities of workers. Out of these, four persons are concerned with planning : (i) route clerk, (ii) instruction card clerk, (iii) time and cost clerk, (iv) disciplinarian. The remaining four persons are concerned with doing aspect of the work. These are : (i) speed boss, (ii) inspector, (iii) maintenance foreman, and (iv) gang boss. All of them give directions to workers on different aspects of work. This is against unity of command principle as shown in Figure 2.3.

3. Job Analysis. Job analysis is undertaken to find out the one best way of doing the thing. The best way of doing a job is one which requires the least movements, consequently less time and cost. The best way of doing the thing can be determined by taking up time-motion-fatigue studies. (i) Time study involves the determination of time a movement takes to complete.

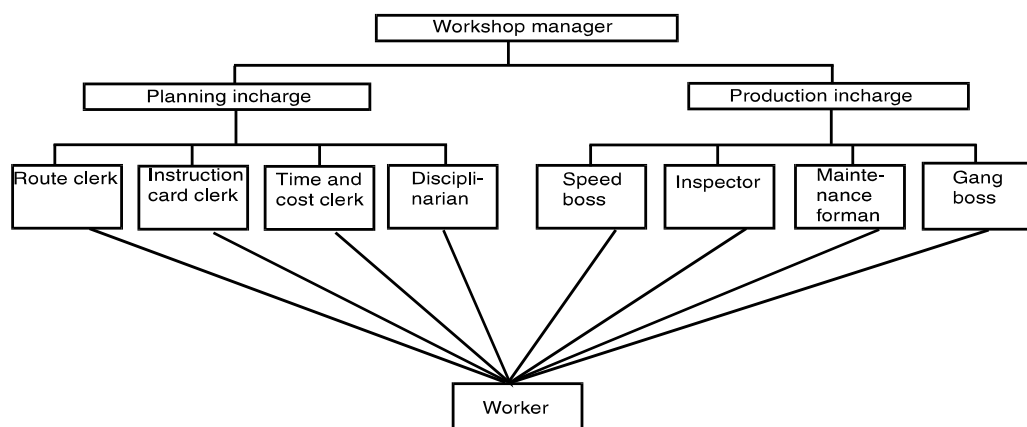


Fig : Functional foremanship

The movement which takes minimum time is the best one. This helps in fixing the fair work for a period. (ii) Motion study involves the study of movements in parts which are involved in doing a job and thereby eliminating the wasteful movements and performing only necessary movements. Elimination of unnecessary

movements in doing work reduces time taken in performing a work and also the fatigue of workers. (iii) Fatigue study shows the amount and frequency of rest required in completing the work. After a certain period of time, workers feel fatigue and cannot work with full capacity. Therefore, they require rest in between. When the rest is allowed, they start working with full capacity. Thus, job analysis, as given by Taylor, suggests the fair amount of a day's work requiring certain movements and rest periods to complete it.

4. Standardization. As far as possible, standardization should be maintained in respect of instruments and tools, period of work, amount of work, working conditions, cost of production, etc. These things should be fixed in advance on the basis of job analysis and various elements of costs that go in performing a work.

5. Scientific Selection and Training of Workers. Taylor has suggested that workers should be selected on scientific basis taking into account their education, work experience, aptitude, physical strength, etc. A worker should be given work for which he is physically and technically most suitable. Apart from selection, proper emphasis should be given on the training of workers which makes them more efficient and effective.

6. Financial Incentives. Financial incentives can motivate workers to put in their maximum efforts. If provisions exist to earn higher wages by putting in extra effort, workers will be motivated to earn more. Taylor himself applied the concept of differential piece rate system which was highly motivating. According to this scheme, a worker who completes the normal work gets wages at higher rate per piece and one who does not complete gets at lower rate. Thus, there is considerable difference in wages between those who complete the work and those who do not complete. To make the differential piece rate system work, Taylor has suggested that wages should be based on individual performance and not on the position which he occupies. Further, the wage rate should be fixed on accurate knowledge and not on estimates.

7. Economy. While applying scientific management, not only scientific and technical aspects should be considered but adequate consideration should be given to economy and profit. For this purpose, techniques of cost estimates and control should be adopted. The economy and profit can be achieved by making the resources more productive as well as by eliminating the wastages. 'Taylor has clarified by giving examples of how resources are wasted by not following scientific management.

8. Mental Revolution. Scientific management depends on the mutual co-operation between management and workers. For this co-operation, there should be mental change in both parties from conflict to co-operation. Taylor feels that this is the most important feature of scientific management because in its absence, no principle of scientific management can be applied. In this regard, Taylor has observed as follows :

“Scientific management is not any efficiency device, nor a device of any kind for securing efficiency; nor is it bunch or group of efficiency devices. It is not a new system of figuring costs; it is not a new scheme of paying men; it is not a piecework system; it is not bonus system; it is not a premium system; it is no

scheme of paying men.....It is not divided foremanship or functional foremanship; it is not any of the devices which the average man calls to mind when scientific management is spoken of..... Now, in its essence, scientific management involves a complete mental revolution on the part of the working men engaged in any particular establishment or industry—a complete mental revolution on the part of these men as to their duties toward their work, toward their fellowmen, and toward their employers. And it involves the equally complete mental revolution on the part of those on the management's side—the foreman, the superintendent, the owner of the business, the board of directors—a complete mental revolution on their part as to their duties towards their fellow workers in the management, towards their workmen and towards all of their daily problems.”

2.4.4 Principles of Scientific Management:

Taylor has given certain basic principles of scientific management. The fundamental principles that Taylor saw underlying the scientific management may be given below:

1.Replacing Rule of Thumb with Science. Taylor has emphasized that in scientific management, organized knowledge should be applied which will replace rule of thumb. While the use of scientific method denotes precision in determining any aspect of work, rule of thumb emphasizes estimation. Since exactness of various aspects of work like day's fair work, standardization in work, differential piece rate for payment, etc., is the basic core of scientific management, it is essential that all these are measured precisely and should not be based on mere estimates. This approach can be adopted in all aspects of managing.

2.Harmony in Group Action. Taylor has emphasized that attempts should be made to obtain harmony in group action rather than discord. Group harmony suggests that there should be mutual give and take situation and proper understanding so that group as a whole contributes to the maximum.

3.Co-operation. Scientific management involves achieving co-operation rather than chaotic individualism. Scientific management is based on mutual confidence, co-operation and goodwill. Co-operation between management and workers can be developed through mutual understanding and a change in thinking. Taylor has suggested “substitution of war for peace, hearty and brotherly co-operation for contentment and strife, replacement of suspicious watchfulness with mutual confidence, of becoming friends instead of enemies. It is along this line, I say that scientific management must be developed.”

4.Maximum Output. Scientific management involves continuous increase in production and productivity instead of restricted production either by management or by worker. Taylor hated inefficiency and deliberate curtailment of production. His concern was with the large size of the cake. In his opinion, “there is hardly any worse crime to my mind than that of deliberately restricting output.” He decried quarrel over production but welcomed quarrel over distribution, provided the product to be distributed had outgrown the size. Therefore, he advised the management and workers to “turn their attention towards increasing the size of the surplus until the size of the surplus becomes so large that it is necessary to quarrel over how it shall be divided.”

5. Development of Workers. In scientific management, all workers should be developed to the fullest extent possible for their own and for the company's highest prosperity. Development of workers requires their scientific selection and providing them training at the workplace. Training should be provided to workers to keep them fully fit according to the requirement of new methods of working which may be different from the non-scientific methods.

Followers of Scientific Management

Other persons who worked to develop scientific management were Carl George Berth, Henry Gantt, Frank and Lillian Gilbreth, and Edward Felene to mention a few important. Berth worked with Taylor and later developed many mathematical techniques and formulae that made it possible to put Taylor's ideas into practice. Gantt developed graphic methods of depicting plans and making possible better managerial control. He emphasized the importance of time as well as cost in planning and controlling work. This eventually led to the development of famous Gantt Chart which is in wide use today and was the forerunner of such modern technique as PERT (Programme Evaluation and Review Technique). Frank and Lillian Gilbreth, a team of husband and wife, also tried to find out 'one best way of doing' under the given set of realities. They also tried to look at the problems of workers from social and psychological point of view. Felene invited Gilbreth to apply scientific management to manage his departmental store. The major areas of concern were employee training and evaluation and human element in business. Later, he created Twentieth Century Fund, a famous research organization still in existence.

Critical Analysis of Scientific Management

Scientific management created awareness about increasing operational efficiency at the shop floor level by adopting systematic methods as against the rule of thumb which was prevalent at that time. However, from the point of view of the development of theoretical framework, the principles of scientific management were more concerned with problems at the operating levels and did not emphasize management of an organization from the manager's point of view. Therefore, it was more relevant from engineering point of view rather than management point of view. In fact, one author has later suggested that Taylor can be regarded as the father of industrial engineering rather than the father of scientific management. Similarly, persons advocating scientific management have emphasized physiological variables affecting human behaviour at workplace, both in terms of work efficiency and methods of motivating the workers. As such, the scientific management is more relevant to mechanization and automation—technical aspect of efficiency—than the broader aspects of management of an organization.

Apart from the theoretical considerations, Taylor's scientific management was opposed by trade unions, industrialists, and general public. The opposition was so grave that Taylor had to defend his scientific management before a special US Congressional Committee in 1912. The introduction of scientific management led to the agitation by trade unions in different production units. The major reasons for the opposition of scientific management were as follows:

1. There were many of the followers of Taylor who took aggressive mechanical view of production and sidelined human aspect at the workplace. This created aggressive attitudes among workers.
2. The work used to be performed under close and strict supervision based on authoritarian approach. Workers were not allowed to raise their voice even for genuine grievances.
3. There was lack of scientific standardization of work and whatever standards used to be set by the management, the workers had to follow strictly. Such standards often used to raise production norm without taking into consideration the factors affecting such a norm.
4. The most crucial element which was under contention was the differential piece rate system. The workers, even the efficient ones, and their unions, opposed this system on the plea that it was a new method of exploiting workers by the industrialists. It may be mentioned that trade unions were quite popular at that time.

2.4.5 Fayol's Administrative Management:

Perhaps the real father of modern operational management theory is the French industrialist Henry Fayol. His contributions are generally termed as operational management or administrative management. Fayol's contributions were first published in book form titled '*Administration Industrielle at Generale*' in French language, in 1916. However, the book was not made available outside France and was not translated until 1929. Its English version was published in 1949 in the United States of America. Therefore, in the early period, Fayol's contributions could not make much impact on the development of management thought. However, after the publication of his book in English, he got prominence in the field of management very quickly.

Fayol looked at the problems of managing an organization from top management point of view. He has used the term 'administration' instead of 'management' emphasizing that there is unity of science of administration. For him, administration was a common activity and administrative doctrine was universally applicable. From administrative point of view, he placed commerce, industry, religion, philanthropy and the State on equal footing. His administrative science can be applied equally well to public and private affairs. Therefore, management is a universal phenomenon. However, he has emphasized that principles of management are flexible and not absolute and are usable regardless of changing and special conditions.

Fayol found that activities of an industrial organization could be divided into six groups:

1. Technical (relating to production);
2. Commercial (buying, selling and exchange);
3. Financial (search for capital and its optimum use);
4. Security (protection of property and person);

5. Accounting (including statistics); and
6. Managerial (planning, organization, command, coordination, and control).

Pointing out that these activities exist in business of every size, Fayol observed that the first five were, well known, consequently he devoted most of his book to analyse the sixth one, that is, managerial activity. Fayol has divided approach of studying management into three parts: (i) managerial qualities and training, (ii) general principles of management, and (iii) elements of management.

Managerial Qualities and Training

Fayol was the first person to identify the qualities required in a manager. According to him, there are six types of qualities that a manager requires. These are as follows:

1. Physical (health, vigour, and address);
2. Mental (ability to understand and learn, judgement, mental vigour, and capability);
3. Moral (energy, firmness, initiative, loyalty, tact, and dignity);
4. Educational (general acquaintance with matters not belonging exclusively to the function performed);
5. Technical (peculiar to the function being performed); and
6. Experience (arising from the work).

Fayol has observed that the most important ability for a worker is technical; the relative importance of managerial ability increases as one goes up the scalar chain, with insight becoming the most important ability for top level executives. On the basis of this conclusion, Fayol recognised a widespread need for principles of management and for management teaching. He held that managerial ability should be acquired first in school and later in the workshop. In order to acquire managerial knowledge, he developed principles of management to be taught in academic institutions.

2.4.6 General Principles of Management:

Fayol has given fourteen principles of management. He has made distinction between management principles and management elements. While management principle is a fundamental truth and establishes cause-effect relationship, management element denotes the function performed by a manager. While giving the management principles, Fayol has emphasized two things: (i) The list of management principles is not exhaustive but suggestive and has discussed only those principles which he followed on most occasion. (ii) Principles of management are not rigid but flexible. According to him, "there is nothing rigid or absolute in management affairs; it is all a question of proportion. Therefore, principles are flexible and capable of being adopted to every need. It is a matter of knowing how to make use of them which is a difficult art requiring intelligence, experience, and proportion." Various principles of management are as follows:

1.Division of Work. Fayol has advocated division of work to take the advantage of specialization. According to him, "specialization belongs to natural order. The

workers always work on the same part, the managers concerned always with the same matters, acquire in ability, sureness, and accuracy which increase their output. Each change of work brings in it training and adaptation which reduces output.....yet division of work has its limits which experience and a sense of proportion teach us may not be exceeded". This division of work can be applied at all levels of the organization.

2.Authority and Responsibility. The authority and responsibility are related with the latter the corollary of the former and arising from it. Fayol finds authority a continuation of official and personal factors. Official authority is derived from the manager's position and personal authority is derived from personal qualities such as intelligence, experience, moral worth, past services, etc. Responsibility arises out of assignment of activity. In order to discharge the responsibility properly, there should be parity of authority and responsibility.

3.Discipline. All the personnel serving in an organization should be disciplined. Discipline is obedience, application, energy, behaviour, and outward mark of respect shown by employees. Discipline may be of two types: self-imposed discipline and command discipline. Self-imposed discipline springs from within the individual and is in the nature of spontaneous response to a skilful leader. Command discipline stems from a recognized authority and utilises deterrents to secure compliance with a desired action, which is expressed by established customs, rules and regulations. The ultimate strength of command discipline lies in its certainty of application. Such a discipline can be obtained by sanctions in the forms of remuneration, warnings, suspension, demotion, dismissal, etc. However, while applying such sanctions, people and attendant circumstances must be taken into account. This can be learned by experience and tact of the managers.

4.Unity of Command. Unity of command means that a person should get orders and instructions from only one superior. The more completely an individual has a reporting relationship to a single superior, the less is the problem of conflict in instructions and the greater is the feeling of personal responsibility for results. This is contrary to Taylor's functional foremanship. On this conflicting view, Fayol suggested that, "I do not think that a shop can be well run in flagrant violation of this (unity of command). Nevertheless, Taylor successfully managed large-scale concerns. I imagine that, in practice, Taylor was also able to reconcile functionalism with the principle of unity of command but this is the supposition whose accuracy I am not in a position to verify. Fayol has considered unity of command as an important aspect in managing an organization. He says that "should it (unit of command) be violated, authority is undermined, discipline is in jeopardy, order disturbed, and stability threatened. This rule seems fundamental to me and so I have put it to the rank of a principle."

5.Unity of Direction. According to this principle, each group of activities with the same objective must have one head and one plan. Unity of direction is different from unity of command in the sense that the former is concerned with functioning of the organization in respect of its grouping of activities or planning while the latter is concerned with personnel at all levels in the organization in terms of reporting relationship. Unity of direction provides better coordination among various activities to be undertaken by an organization.

6.Subordination of Individual to General Interest. Common interest is above the individual interest. Individual interest must be subordinate to general interest when there is conflict between the two. However, factors like ambition, laziness, weakness, etc., tend to reduce the importance of general interest. Therefore, superiors should set an example in fairness and goodness. The agreement between the employers and the employees should be fair and there should be constant vigilance and supervision.

7.Remuneration of Personnel. Remuneration of employees should be fair and provide maximum possible satisfaction to employees and employers. Fayol did not favour profit-sharing plan for workers but advocated it for managers. He was also in favour of non-financial benefits though these were possible only in the case of large-scale organizations.

8.Centralization. Everything which goes to increase the importance of subordinate's role is decentralization; everything which goes to reduce it is 'centralization of authority', Fayol refers the extent to which authority is centralized or decentralized. Centralization and decentralization are the question of proportion. In small firms, centralization is the natural order, but in large firms, a series of intermediaries is required. 'Share of authority and initiative left to intermediaries depends on the personal character of the manager, his moral worth, the reliability of his subordinates, and also on the conditions of the business. Since both absolute and relative values of managers and employees are constantly changing, it is desirable that the degree of centralization or decentralization may itself vary constantly.

9.Scalar Chain. There should be a scalar chain of authority and of communication ranging from the highest to the lowest. It suggests that each communication going up or coming down must flow through each position in the line of authority. It can be short-circuited only in special circumstances when its rigid following would be detrimental to the organization. For this purpose, Fayol has suggested 'gang plank' which is used to prevent the scalar chain from bogging down action. His scalar chain and gang plank can be presented as follows:

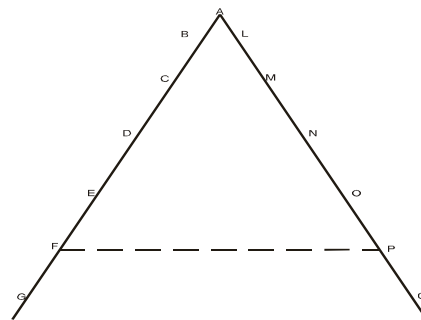


FIGURE 2.4: Scalar chain and gang plank

In the above figure, A is the top man having immediate subordinates B and L. In turn B and L are having immediate subordinates C and M. This continues to the level of G and Q. Ordinarily, the communication must flow from A to B to C to D

and so on while coming from the top to down. Similarly, it must flow from *G* to *F* to *E* and so on while going up. It means if any communication is going from *F* to *P*, it will flow from *F* to *A* via *E*, *D*, *C* and *B* and coming down to *P* via *L*, *M*, *N* and *O*. Fayol suggests that this scalar chain system takes time, and therefore, can be substituted by 'gang plank' (dotted line) without weakening the chain of command.' In order to maintain authority, it is desirable that superiors of *F* and *P* authorize them to deal directly provided each informs his superiors of any action taken. Fayol suggested that this system allows *F* and *P* to deal in a few hours with some questions or other which via the scalar chain would pass through twenty transmissions, inconvenience people, involve masses of paper, lose weeks or months to get to a conclusion less satisfactory than the one which could have been obtained by direct contact.

10. Order. This is a principle relating to the arrangement of things and people. In material order, there should be a place for everything and everything should be in its place. Similarly, in social order, there should be the right man in the right place. This kind of order demands precise knowledge of the human requirements and resources of the organization and a constant balance between these requirements and resources. Normally, bigger the size of the organization, more difficult this balance is.

11. Equity. Equity is the combination of justice and kindness. Equity in treatment and behaviour is liked by everyone and it brings loyalty in the organization. The application of equity requires good sense, experience, and good nature of soliciting loyalty and devotion from subordinates.

12. Stability of Tenure. No employee should be removed within short time. There should be reasonable security of jobs. Stability of tenure is essential to get an employee accustomed to new work and succeeding in doing it well. Unnecessary turnover is both cause and effect of bad management.

13. Initiative. Within the limits of authority and discipline, managers should encourage their employees for taking initiative. Initiative is concerned with thinking out and execution of a plan. Initiative increases zeal and energy on the part of human beings.

14. Esprit de Corps. This is the principle of 'union is strength' and extension of unity of command for establishing team work. The manager should encourage esprit de corps among his employees. The erring employees should be set right by oral directions and not by demanding written explanations. Written explanations complicate the matters.

Elements of Management

Fayol holds that management should be viewed as a process consisting of five elements. He has regarded these elements as functions of management. These are planning, organization, commanding, coordination, and controlling. He has regarded planning as the most important managerial function and failure to plan properly leads to hesitation, false steps, and untimely changes in directions which cause weakness in the organization. Creation of organization structure and

commanding function is necessary to execute plans. Coordination is necessary to make sure that everyone is working together, and control looks whether everything is proceeding according to plan. Fayol holds the view that these functions are required at all levels of management and in all types of organizations.

The contributions of Fayol have made the real beginning of development of management as a separate field of study. He wrote as the practical man of business reflecting on his long managerial career and setting down the principles he had observed. His principles of management hold good even today, though pronounced long back. It was unfortunate that his contributions were not known to scholars in U.S.A., otherwise the development of management would have been much faster. In fact, many of the things were developed in management on the lines of Fayol much after his contributions.

2.4.7 Contributions of Taylor and Fayol: A Comparison :

At this stage, it may be worthwhile to compare the contributions of both Taylor and Fayol as both of them have made attempts to the development of management principles in somewhat more systematic way. Both were contemporary though from different countries. When we compare the contributions of Taylor and Fayol, we find that both are complementary to each other and have somewhat similarity. Even Fayol commented in 1925 that his contributions and those of Taylor are complementary to each other. There is some similarity as well as dissimilarity in the contributions of both.

2.4.7. (a) Similarity.

Both Taylor and Fayol have seen and analyzed the problems of managing from practioners' point of view. Therefore, there must be some similarity between the two. The similarity exists on the following lines :

1. Both have attempted to overcome managerial problems in systematic may.
2. Both have developed some principles which can be applied in solving managerial problems.
3. Both have emphasized that management actions can be effective if these are based on sound principles.
4. Both of them have emphasized that managerial qualities are acquirable and can be acquired through training. Therefore, organizations should make attempts to develop these.
5. Both have emphasized harmonious relationships between management and workers for the achievement of organisational objectives.

2.4.7 (b) Dissimilarity.

There is more dissimilarity between the approaches of Taylor and Fayol as compared to similarity. This is because of the fact that Taylor has concentrated on

the shop floor efficiency while Fayol has concentrated on higher managerial levels. The dissimilarity between the two is presented in Table 2.1.

TABLE 2.1: Dissimilarity between contributions of Taylor and Fayol

| <i>Basis of difference</i> | <i>Taylor</i> | <i>Fayol</i> |
|----------------------------|--|---|
| 1. Perspective | Shop floor level | Higher management level |
| 2. Focus | Efficiency through work simply- fiction and standardization | Overall efficiency by ob- serving certain principles |
| 3. Orientation | Production and engineering | Managerial functions |
| 4. Results | Scientific observation and tran-measurement | Personal experiences slated into universal truths |
| 5. Overall contributions | Basis for accomplishment on the production line. | Systematic theory of man- agement. |

Other Administrative Theorists

Besides Fayol, contributions have come from other administrative theorists, notable among them being Max Weber, Sheldon, Mooney, Reiley, Urwick, etc. Weber who analyzed the functioning of church, government, military, and business organizations believed that bureaucratic structure is the most efficient form of structure for all types of organizations. It is the most rational means of carrying out imperative control over human beings. He has given five features of bureaucracy: specialization, hierarchy of authority, rules, impersonality, and trained personnel.⁸

Oliver Sheldon has added the concept of ethics and social responsibility to the scientific study of management. His normative approach was able to develop for the first time to view management both a science and a philosophy. Mooney and Reiley both executives at General Motors. U.S.A. emphasized basic principles of organization. These principles are: coordination principle, scalar principle, functional principle, and staff phase of functionalism.¹⁰

They have also emphasized that all organizations, irrespective of the field of their operation, have common features requiring these principles. They all require coordinate and have a system of hierarchy, and clearly defined duties and responsibilities for each job. Urwick, though not strictly an original thinker, has integrated the various views into a unified whole.¹¹ Apart from these people, contributions have come from Gullick, Sloan, Merriam, Stene and Dale.

Activity

- Q. Make a comparison between the management thoughts developed by Fayol and Taylor.

Ans.....

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2.5 Summary

Before the systematic study of management which started close to 19th century, contributions in the field came from a variety of sources. For example, the concept of organization and administration existed in Egypt in 1300 B.C. Confucius's parables included suggestions for proper public administration and admonitions to choose honest, unselfish, and capable public officers long before Christ. Kautilya has offered sound principles of state administration in 320 B.C. Roman Catholic Church introduced the concept of staff personnel in church administration which was further carried on by military organizations. The cameralists, a group of German and Austrian public administrators and intellectuals, emphasized systematic administration as a source of strengths during 16th to 18th centuries. These contributions provided some insights about how resources could be utilized more effectively. However, these contributions were outside the field of business and other economic organizations.

In the field of business organizations, some stray contributions have come from Robert Owen, James Watt, Charles Babbage, and Henry Town. While Owen emphasized personnel aspects in management and advocated a number of benefits to employees, others concentrated on developing concepts relating to effective utilization of resources at the shop floor level. Their contributions came bit by bit and in haphazard manner and have failed to stimulate to study management as a distinct discipline. However, their ideas created awareness about managerial problems. By the end of 19th century, a stage was set for taking systematic study of management and the beginning was made by Taylor in the early part of 20th century which took the shape of scientific management.

2.6 Self-assessment questions

A. Very Short Answer Questions.

- Ques. 1 Define scientific management.
- 2. Explain Functional foremanship.

B. Short Answer Questions.

- Ques. 1 Explain different principles of scientific management.
- 2. Evaluate upon the following.
 - (i) Unity of command (ii) unity of direction. (iii) Esprit de corps

C. Long Answer Questions.

Ques. 1 Evaluate upon the principles of management given by Henry Fayol.

2.7 Further Readings

1. LM Prasad : Principles and Practice of Management (Sultan Chand & Sons)
2. George R Terry : Principles of Management (Richard D Irwin Inc)
3. Harold Koontz and Heinz Weirich : Essentials of Management (Mcgraw Hill series in Management)
4. Peter F Drucker : Frontiers of Management (Heinemann London)
5. Peter F Drucker : Managing for future (Tata Mcgraw Hill)
6. J.S. Chandan : Management theory and Practice (Vikas Publishing House Pvt Ltd.)



UNIT 3: SCHOOLS OF MANAGEMENT: ADMINISTRATIVE, SCIENTIFIC, BEHAVIORAL, OPEN SYSTEMS, CONTINGENCY AND SYSTEMS: THEORY TO PRACTICE

Structure:

3.0 INTRODUCTION

3.1 Objective

3.2 Neo-Classical Theory

3.2.1 Behavioural Approach

3.2.2 Hawthorne Experiments and

3.2.3 Implications of Hawthorne Experiments

3.2.4 Criticism of Hawthorne Experiments.

3.3. Other Approaches to Management

3.3.1 Social Systems Approach

3.3.2 Decision Theory Approach

3.3.3 Contributions of Peter Drucker

3.3.4 Management Science Approach

3.3.5 Human Behaviour Approach

3.3.6 Systems Approach

3.3.7 Contingency or Situational Approach

3.3.8 Mckinsey's 7-S Approach

3.3.9 The Operational Approach

3.3.10 The Managerial Roles Approach.

3.4 Characteristics of Modern Management Thought

3.5 Management Thought in the Light of Indian other and insight.

3.6 Summary

3.7 Self Assessment Questions.

3.8 Further Readings



3.0 Introduction

Classical theory was job oriented and it focused its attention on scientific job analysis. Neoclassical theory focuses its attention on the worker and it is employee-oriented. Now we have a shift in managerial style from product-centred in a modern plant. Plant layout, machinery, tools etc., must offer employee convenience and facilities. Neoclassical theory is built upon the success of

classical theory. The pillars of classical approach—order, rationality, structure etc.—have been modified by the neoclassical movement.

3.1 Objectives

The following objectives are reviewed in this lesson

- to establish a relationship between Human relations and Hawthorne experiments.
 - to conceptually analyse behavioural approach.
 - to evaluate upon different approaches to management.
 - to conceptually establish their inter-disciplinary approach among other areas of management.
-

3.2 Neo-classical Theory

3.2.1 Behavioural Approach

Neo-classical theory is called human relations and behavioural science movement. It is built on the base of classical theory. It modified, improved and extended the classical theory. Classical theory concentrated on job content and management of physical resources. Neo-classical theory gave greater emphasis to man behind the machine and stressed the importance of individual as well as group relationships in the plant or workplace. The behavioural science approach to management is the core of psychology and sociology in the understanding of individual as well as group behaviour in an organisation. It advocated the importance of human values in business. Original goals and values may be followed too excessively that this itself becomes end for the organisation. Over the period, people are provided incentives on such behaviour. For example, rules are means for achieving organisational goals but following of rules may become the objective of the organisation and organisational objectives may become secondary. People may be judged on the basis of observance of rules and not results. For example, in government organisations, the performance may be judged on the basis of whether expenditure has been incurred on the lines of rules and regulations. Thus, expenditure becomes the criterion of performance measurement and not the results achieved through expenditure.

(a) Unintended Consequences. In bureaucratic structure, there may be many consequences which have not been visualised but which emerge because of the system. Such unintended consequences may be of following nature :

1. There may be trained incapacity in the organisation. Trained incapacity relates to a phenomenon where a person is trained at the matter from a single point of view. Thus, he does not see beyond his training and tries to correlate the matter with total situation on the basis of his training. This happens because of excessive specialisation.
 2. There is conflict between professionals and bureaucrats. The basic reason of conflict is the difference in orientation of professionals and bureaucrats.
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Professionals try to work according to their discipline for efficiency while bureaucrats try to emphasise rules and regulations.

3. Often there is conflict between organisation and individuals. There are many characteristics of bureaucratic organisation which work against human nature. For example, human beings work better when there is comparatively free environment but bureaucratic organisation puts more restrictions through rules and regulations. Thus, people try to avoid these rules and regulations.

(b) Inhuman Organisation. Perhaps the most important criticism of bureaucracy has come from behavioural scientists who have emphasised on human behaviour in the organisation. According to them, bureaucratic structure is inhuman and works like machine in which there is no importance of human beings. For example, Argyris holds the view that individual moves from immaturity to maturity and over the period he matures, while bureaucratic organisation is designed to suit immature personality. A mature personality requires less control, innovation in behaviour, and flexibility in working. The design of bureaucratic structure is against these features. Thus, bureaucracy works against the basic nature of human behaviour.

A pioneering criticism of bureaucracy comes from organisational psychologist, Warren Bennis. He sees the model as overly mechanical and no longer useful. The flaws and dysfunctions of the bureaucratic organisation are extensive but the main are as follows :

1. It is inhumane and denies man's needs.
2. It is incompatible with the development of a mature personality.
3. It promotes conformity.
4. It does not consider the informal organisation and interpersonal difficulties.
5. The hierarchy interferes with communication.
6. Innovation and new knowledge are stifled.
7. It is ineffective in a turbulent environment.

These criticisms are representative of the lack of human aspect of bureaucracy. The thrust of these criticisms is that bureaucratic structure makes inadequate assumptions about the real nature of human beings and does not address itself to the interaction of people within the organisation.

(c) Closed-System Perspective. Bureaucratic organisation has closed-system perspective. Though a social organisation cannot be a totally closed system but it may lean towards closed system in its working. A closed system is self-contained and self maintaining. It is generally rigid and static. It ignores external conditions and makes no allowances for adapting to changes in the environment. In other words, It is viewed as operating within a vacuum. Specific characteristics of closed-system social organisation include predictability, rationality, optimisation, internal efficiency, and certainty. Since behaviour is assumed to be functional and all

outcomes predictable, those activities that take place in the environment—that is changes in social, political and economic and other factors—can be ignored.

Bureaucratic structure can work well when environment is highly static and predictable. However, the nature of environment for large organisations of today is highly dynamic and heterogeneous. In dynamic environment, more interaction between organisation and environment is required. There is high need for information monitoring and processing. Thus, an open-system perspective is more suitable for the management of modern-day organisations while bureaucratic structure has closed-system perspective.

3.2.2. Hawthorne Experiments and Human Relations

Many of the findings of earlier writers, particularly of scientific management, which focused attention on the mechanical and physiological variables of organisational functioning, were tested in the field to increase the efficiency of the organisations. Surprisingly, positive aspects of these variables could not evoke positive response in work behaviour, and researchers tried to investigate the reasons for human behaviour at work. They discovered that the real cause of human behaviour was something more than mere physiological variables. Such findings generated a new phenomenon about the human behaviour and focused attention on the human beings in the organisations. As such, this new approach has been called 'human relations approach of management'.

Even in the writings of classical approach, notably, Taylor, Fayol, Henry Gantt, Follet, Urwick, and others, the human element in the organisation was recognised, but they emphasised it very little. The human relations approach was born out of a reaction to classical approach and during the last seven decades, a lot of literature on human relations has been developed. The essence of the human relations contributions is contained in two points: (i) organisational situation should be viewed in social terms as well as in economic and technical terms, and (ii) the social process of group behaviour can be understood in terms of clinical method analogous to the doctor's diagnosis of the human organism. Among human relations approach, there are many contributions and many more researches are being carried on. For the first time, an intensive and systematic analysis of human factor in organisations was made in the form of Hawthorne experiments. There will be relatively lengthy discussion of the results and implications of the Hawthorne studies because of their historical importance to the behavioural approach to the analysis of management problems.

The Hawthorne plant of the General Electric Company, Chicago, was manufacturing telephone system bell. It employed about 30,000 employees at the time of experiments. Although in respect of material benefits to the workers, this was the most progressive company with pension and sickness benefits and other recreational facilities, there was great deal of dissatisfaction among the workers and productivity was not upto the mark. After the utter failure of an investigation conducted by efficiency experts, in 1924, the company asked for the assistance from the National Academy of Sciences to investigate the problems of low productivity.

In order to investigate the real causes behind this phenomenon, a team was constituted led by Elton Mayo (psychologist) Whitehead and Roethlisberger (sociologists), and company representative, William Dickson. The researchers originally set out to study the relationship between productivity and physical working conditions. They conducted various researches in four phases with each phase attempting to answer the question raised at the previous phase. The four phases were as follows:

1. Experiments to determine the effects of changes in illumination on productivity, illumination experiments (1924-27),
2. experiments to determine the effects of changes in hours and other working conditions on productivity, relay assembly test room experiments, 1927-28;
3. conducting plant-wide interviews to determine worker attitudes and sentiments, mass interviewing programme, 1928-30; and
4. Determination and analysis of social organisation at work, bank wiring observation room experiments, 1931-32.

1. Illumination Experiments

Illumination experiments were undertaken to find out how varying levels of illumination (amount of light at the workplace, a physical factor) affected the productivity. The hypothesis was that with higher illumination, productivity would increase. In the first series of experiments, a group of workers was chosen and placed in two separate groups. One group was exposed to varying intensities of illumination. Since this group was subjected to experimental changes, it was termed as experimental group. Another group, called as control group, continued to work under constant intensities of illumination. The researchers found that as they increased the illumination in the experimental group, both groups increased production. When the intensity of illumination was decreased, the production continued to increase in both the groups. The production in the experimental group decreased only when the illumination was decreased to the level of moonlight. The decrease was due to light falling much below the normal level. Thus, it was concluded that illumination did not have any effect on productivity but something else was interfering with the productivity. At that time, it was concluded that human factor was important in determining productivity but which aspect was affecting it was not sure. Therefore, another phase of experiments was undertaken.

2. Relay Assembly Test Room Experiments

Relay assembly test room experiments were designed to determine the effect of changes in various job conditions on group productivity as the illumination experiments could not establish relationship between intensity of illumination and production. For this purpose, the researchers set up a relay assembly test room and two girls were chosen. These girls were asked to choose four more girls as coworkers. The work related to the assembly of telephone relays. Each relay consisted of a number of parts which girls assembled into finished products. Output depended on the speed and continuity with which girls worked. The experiments started with introducing numerous changes in sequence with duration of each change ranging from four to twelve weeks. An observer was associated with girls

to supervise their work. Before each change was introduced, the girls were consulted. They were given opportunity to express their viewpoints and concerns to the supervisor. In some cases, they were allowed to take decisions on matters concerning them. Following were the changes and resultant outcomes:

1. The incentive system was changed so that each girl's extra pay was based on the other five rather than output of larger group, say, 100 workers or so. The productivity increased as compared to before.
2. Two five-minute rests—one in morning session and other in evening session—were introduced which were increased to ten minutes. The productivity increased.
3. The rest period was reduced to five minutes but frequency was increased. The productivity decreased slightly and the girls complained that frequent rest intervals affected the rhythm of the work.
4. The number of rest was reduced to two of ten minutes each, but in the morning, coffee or soup was served along with sandwich and in the evening, snack was provided. The productivity increased.
5. Changes in working hours and workday were introduced, such as cutting an hour off the end of the day and eliminating Saturday work. The girls were allowed to leave at 4.30 p.m. instead of usual 5.00 p.m. and later at 4.00 p.m. Productivity increased.

As each change was introduced, absenteeism decreased, morale increased and less supervision was required. It was assumed that these positive factors were there because of the various factors being adjusted and making them more positive. At this time, the researchers decided to revert back to original position, that is no rest and other benefits. Surprisingly, productivity increased further instead of going down. This development caused a considerable amount of redirection in thinking and the result implied that productivity increased not because of positive changes in physical factors but because of a change in the girl's attitudes towards work and their work group. They developed a feeling of stability and sense of belongingness. Since there was more freedom of work, they developed a sense of responsibility and self-discipline. The relationship between supervisor and workers became close and friendly.

3. Mass Interviewing Programme

During the course of experiments, about 20,000 interviews were conducted between 1928 and 1930 to determine employees attitudes towards company, supervision, insurance plans, promotion, and wages. Initially these interviews were conducted by means of direct questioning such as do you like your supervisor? or is he in your opinion fair or does he have favourites? etc. since this method had disadvantage of either stimulating antagonism or the over-simplified 'yes' or 'no' responses which could not get to the root of the problem, the method was changed to non-directive interviewing where interviewer was asked to listen to instead of talking, arguing or advising. The interview programme gave valuable insights about the human behaviour in the company. Some of the major findings of the programme were as follows:

1. A complaint is not necessarily an objective recital of facts; it is a symptom of personal disturbance the cause of which may be deep seated.
2. Objects, persons, and events are carries of social meanings. They become related to employee satisfaction or dissatisfaction only as the employee comes to view them from his personal situation.
3. The personal situation of the worker is a configuration, composed of a personal preference involving sentiments, desires and interests of the person and the social reference constituting the person's social past and his present interpersonal relations.
4. The position or status of a worker in the company is a reference from which the worker assigns meaning and value to the events, objects and features of his environments such as hours of work, wages, etc.
5. The social organisation of the company represents a system of values from which the worker derives satisfaction or dissatisfaction according to the perception of his social status and the expected social rewards.
6. The social demands of the worker are influenced by social experience in groups both inside and outside the work plant.

During the course of interviews, it was discovered that workers' behaviour was being influenced by group behaviour. However, this conclusion was not very satisfactory and, therefore, researchers decided to conduct another series of experiments. As such, the detailed study of a shop situation was started to find out the behaviour of workers in small groups.

4. Bank Wiring Observation Room Experiments

These experiments were carried on between November 1931 and May 1932 with a view to analyse the functioning of small group and its impact on individual behaviour. A group of fourteen male workers was employed in the bank wiring room: nine wiremen, three soldermen and two inspectors. The work involved attaching wire to switches for certain equipment used in telephone exchange. Hourly wage rate for the personnel was based on average output of each worker while bonus was to be determined on the basis of average group output. The hypothesis was that in order to earn more, workers would produce more and in order to take the advantages of group bonus, they would help each other to produce more. However, this hypothesis did not hold valid. Workers decided the target for themselves which was lower than the company's target, for example group's target for a day was connecting 6600 terminals against 7300 terminals set by the company. The workers gave following reasons for the restricted output :

- (a) Fear of Unemployment. The basis reasoning of workers was that if there would be more production per head, some of the workers would be put out of employment.
- (b) Fear of Raising the Standards. Most workers were convinced that once they had reached the standard rate of production, management would raise the standard of production reasoning that it must be easy to attain.

(c) Protection of Slower Workers. The workers were friendly on the job as well as off the job. They appreciated the fact that they had family responsibility that required them to remain in the job. Since slower workers were likely to be retrenched, the faster workers protected them by not overproducing.

(d) Satisfaction on the Part of Management. According to workers, management seemed to accept the lower production rate as no one was being fired or even reprimanded for restricted output.

The workers in the group set certain norms of behaviour including personal conduct. The workers whose behaviour was in conformity with both output norm and social norm were most preferred. This study suggested that informal relationships are an important factor in determining the human behaviour. During the course of experiments, workers were counselled for good human relations in the company's plant. The counselling was in regard to personal adjustment, supervision, employee relations, and management-employee relations. The supervisors tended to understand and accept the problems of workers, and managements tried to sense their feelings which were helpful in formulating the action for resolving management-employee conflicts.

3.2.3. Implications of Hawthorne Experiments

Hawthorne experiments have opened a new chapter in management by suggesting management through good human relations. Human relations involves motivating people in organisation in order to develop teamwork which effectively fulfills their needs and achieves organisational goals. Hawthorne experiments have tried to unearth those factors which are important for motivating people at workplace. The major findings of the experiments can be presented below :

1.Social Factors in Output. An organisation is basically influenced by social factors. In fact, Elton Mayo, one of the researchers engaged in Hawthorne experiments, has described an organisation as "a social system, a system of cliques, informal status system, rituals and a mixture of logical, non-logical behaviour." Thus, an organisation is not merely a formal structure of functions in which production is determined by the official prescription but the production norm is set by social norms. Since people are social beings, their social characteristics determine the output and efficiency in the organisation. Economic rewards and productivity do not necessarily go together. Many non-economic rewards and sanctions affect the behaviour of workers and modify the impact of economic rewards. While motivating workers, these factors should be taken into account.

2.Group Influence. Workers being social beings, they create groups which may be different from their official group. In fact, groups are formed to overcome the shortcomings of formal relationships. The group determines the norm of behaviour of members. If a person resists a particular norm of group behaviour, he tries to change the group norm because any deviation from the group norm will make him unacceptable to the group. Thus, management cannot deal with workers as individuals but as members of work group subject to the influence of the group.

3.Conflicts. The informal relations of workers create groups, and there may be conflict between organisation and groups so created. The conflict may be because of incompatible objectives of the two. However, groups may help to achieve

organisational objectives by overcoming the restraining aspect of the formal relations which produce hindrance in productivity. Conflict may also arise because of maladjustment of workers and organisation. As the individual moves through the time and space within the organisation, there constantly arises the need for adjustment of the individual to the total structure. In the absence of such adjustment, either individual progresses upward at a rapid pace or the organisation structure itself may change over the time while the individual remains standstill. In either event, the change takes place in the position of the individual with respect to organisation structure hence, adjustment is required.

4. Leadership. Leadership is important for directing group behaviour, and this is one of the most important aspects of managerial functions. However, leadership cannot come only from a formally-appointed superior as held by earlier thinkers. There may be informal leader as shown by bank wiring experiments. In some areas, informal leader is more important in directing group behaviour because of his identity with group objective. However, a superior is more acceptable as a leader if his style is in accordance with human relations approach that is the superior should identify himself with the workers.

5. Supervision. Supervisory climate is an important aspect in determining efficiency and output. Friendly to the workers, attentive, genuinely concerned supervision affects the productivity favourably. For example, in the bank wiring room experiment, an entirely different supervisory climate—more friendly to the workers and less use of authority in issuing orders—existed which helped in productivity, while in regular departments, supervisors were concerned with maintaining order and control which produced inhibiting atmosphere and resulted in lower productivity.

6. Communication. The experiments show that communication is an important aspect of organisation. Through communication, workers can be explained the rationality of a particular action, participation of workers can be sought in decision-making concerning the matter of their importance, problems faced by them can be identified and attempts can be made to remove these. A better understanding between management and workers can be developed by identifying their attitudes opinions and methods of working and taking suitable actions on these.

3.2.4 Criticisms of Hawthorne Experiments

Though Hawthorne experiments have opened a new chapter in management by emphasising the importance of social factors in output, it is not without fault. The experiments have been widely criticised by some behavioural scientists because of lack of scientific objectivity used in arriving at various a conclusions. Some critics feel that there was bias and preconception on the part of the Harvard researchers. One writer developed a detailed comparison between the conclusions drawn by the researchers and the evidence presented, and found that their conclusions were almost entirely unsupported. He asked the question, “how it was possible for studies so nearly devoid of scientific merit, and conclusions so little supported by evidence, to gain so influential and respected a place within scientific disciplines and to hold this place for so long. Following other criticisms have also been made against the Hawthorne experiments:

1. The Hawthorne researchers did not give sufficient attention to the attitudes that people bring with them to the workplace. They did not recognize such forces as class consciousness, the role of unions, and other extra-plant forces on attitudes of workers.
2. The Hawthorne plant was not a typical plant because it was a thoroughly unpleasant place to work. Therefore, the results could not be valid for others.
3. The Hawthorne studies look upon the worker as a means to an end, and not an end himself. They assume acceptance of management's goals and look on the worker as someone to be manipulated by management.

In spite of these shortcomings, Hawthorne experiments will be known for discovering the importance of human factor in managing an organisation. The experiments have stimulated many researchers to study the human problems in management.

(a) Neo-Classical Approach : Advocates of human relations and behavioural science approach to management are primarily interested in the following areas of management : (1) Organisation as a social system; (2) Employee motivation through non-monetary incentives; (3) Democratic leadership; (4) Two-way communication; (5) Employee development; (6) Group psychology and attitudes; (7) Human importance in man-machine system. Let us deal with these areas in brief.

1. The business organisation is not just a techno-economic system. Basically it is a social system. It is a social organism.
2. The employee can also be motivated by many social and psychological wants and not solely by economic incentives because his behaviour is also influenced by feelings, emotions and attitudes. Logical factors (more money) are less important than emotional factors in determining production efficiency. The scientific management would ridicule this.
3. Democratic rather than authoritarian leadership is essential in order to honour demands. Management must learn to develop co-operative attitudes and not rely merely on command. Matured employees dislike command.
4. Effective two-way communication network is essential to establish common flow of understanding in any organisation and then only organisation can attain its goals. Hence, participation becomes an important instrument under neoclassical approach.
5. Management must take greater interest in employee development and workers satisfaction as there is a very close connection between morale and productivity. In other words, productivity and satisfaction go together hand-in-hand in any business.
6. Informal group and informal organisation must be recognised. Group psychology plays an important role in any enterprise. We must rely more on group efforts. Teamwork is the key to productivity. Management is responsible for team work.

7. Management must develop social skills in addition to technical skills. The neoclassical theory tried to solve the man machine equation by emphasising that man is a living entity and he is far more important than the inanimate machine. Hence, key to higher productivity lies not in technological development alone but in reality it lies in the employee morale. Where morale is high, output is also high. Man-to-Man relationships, team spirit, group harmony should be given top preference by management.

Job structure, job design should receive secondary importance. Job enrichment is given greater importance. Employees also expect greater empowerment in planning and implementation (motivation, communication, co-ordination), functions of management should receive more importance than the techniques of planning and control.

3.3 Other Approaches to Management

3.3.1 Social Systems Approach

Social systems approach of management has extended the implications of human relations approach further. This approach was introduced by Vilfredo Pareto, a sociologist. His ideas were later developed by Chester Barnard who synthesised the concept of social systems approach. According to this approach an organisation is essentially a cultural system composed of people who work in cooperation. As such for achieving organisational goals, a cooperative system can be developed by understanding the behaviour of people in groups. The major features of this approach are as follows :

1. Organisation is a social system, a system of cultural relationships.
2. Relationships exist among the external as well as internal environment of the organisation.
3. Cooperation among group members is necessary for the achievement of organisational objectives.
4. For effective management, efforts should be made for establishing harmony between the goals of the organisation and the various groups therein.

Contributions of Barnard

The contributions of Chester Barnard to management, particularly social systems approach, are overwhelming. His book '*The Functions of the Executive*,' is regarded as the most influential book on the management during the pre-modern management era. His analysis of management is truly a social systems approach since, in order to comprehend and analyse the functions of executives, he has looked for their major tasks in the system in which they operate. In determining the tasks of executives, he has analysed the nature of co-operative social system, as he found non-logical factors also influencing human behaviour in the organisation. This is a marked departure from the earlier approach. The major contributions of Barnard can be presented as follows:

1. Concept of Organisation. Barnard suggests that classical concept of organisation does not fully explain the features of an organisation. He has defined formal organisation as a system of consciously coordinated activities of two or more persons. In his opinion, an organisation exists when the following three conditions are fulfilled: (i) there are persons able to communicate with each other; (ii) they are willing to contribute to the action; and (iii) they attempt to accomplish a common purpose.

2. Formal and Informal Organisations. Organisations can be divided into two parts : formal and informal. The formal organisation has consciously coordinated interactions which have a deliberate and common purpose. On the other hand, the informal organisation refers to those social interactions which do not have consciously coordinated joint purpose. The informal organisation exists to overcome the problems of formal organisation. In fact, Barnard has suggested that executives should encourage the development of informal organisation to serve as a means of communication, to bring cohesion in the organisation, and to protect the individual from dominance and onslaught of the organisation. Both the formal and the informal organisations depend on each other and there is continuous interaction between the two. Therefore, in managing an organisation, the manager should take into account both types of organisation.

3. Elements of Organisation. According to Barnard, there are four elements of a formal organisation. These are : (i) a system of functionalisation so that people can specialise, that is, departmentation; (ii) a system of effective and efficient incentives so as to induce people to contribute to group action; (iii) a system of power which will lead group members to accept the decisions of the executives; and (iv) a system of logical decision-making.

4. Authority. Barnard does not agree with the classical view that authority transcends from the top to down. He has given a new concept of authority which is termed as 'acceptance theory of authority' or 'bottom-up authority.' In his opinion a person does not obey an order because it has been given by a superior but he will accept a communication as being authoritative only when four conditions are met simultaneously: (i) he can understand the communication; (ii) he believes that it is not inconsistent with the organisational purpose; (iii) he believes it to be compatible with his personal interest as a whole; and (iv) he is mentally and physically able to comply with it.

5. Functions of the Executive. Barnard has identified three types of functions which an executive performs in a formal organisation. These are : (i) maintenance of organisational communication through a system of organisation, that is through formal interactions; (ii) the securing of essential services from individuals in the organisation so as to achieve organisational purpose; and (iii) the formulation and definition of organisational purpose.

6. Motivation. Apart from financial incentives which have their own limitations in motivating the people, Barnard has suggested a number of non-financial techniques for motivating people. Prominent among these are: opportunity of power and distinction, pride of workmanship, pleasant organisation, participation, mutual supporting personal attitudes, and feeling of belongingness.

7. Executive Effectiveness. To make the executive effective requires a high order of responsible leadership. While co-operation is the creative process, leadership is the indispensable fulminator of its forces. Leadership is the most strategic factor in securing cooperation from the people. Executive leadership demands high calibre, technological competence, and technical and social skills. The executive leadership should not have preconceived notions and false ideologies. It should be above personal predilections and prejudices. The leadership is likely to commit the following four types of errors: (i) the oversimplification of the economy of organisation life; (ii) disregarding the reality of informal organisation and its necessity; (iii) an inversion of emphasis upon the objective and subjective aspects of authority; and (iv) a confusion of morality with responsibility. Therefore, executive should take adequate care to overcome these problems.

8. Organisational Equilibrium. Organisational equilibrium refers to the matching of individual efforts and organisational efforts to satisfy individuals. The co-operation of individuals with the organisation brings forth new activities. The organisation must afford satisfaction to individuals comprising it. This is required to maintain equilibrium in the organisation. This equilibrium is not static but dynamic. Demands and aspirations of individuals change and the organisation has to cope with the dynamic situation. The equilibrium of the organisation depends on the individuals working in it, other organisations and the society as a whole. Thus, the organisation has to take into account the changes in the society. The organisational equilibrium can be perceived not only through logical appraisal but through analysis and intuition. Thus, many non-logical factors also enter into organisational analysis. Therefore, the reasons for an action should not only be logical but must also appeal to those attitudes, predilections, prejudices, emotions, and mental background that cover action.

The above contributions of Barnard show how he was concerned for the development of the organisation through social systems. His contributions are regarded quite high in management. This is evident by the ideas expressed by William Wolf about the book written by Barnard. "The book is a sociology of management. Its style of writing was purposely pitched at a high level of discourse. Barnard was writing for social scientists, not for practitioners. He believed that the field of management was lacking in concepts and was clouded by ambiguous and even erroneous thinking. In a sense, he hoped that the functions would set things right and guide the social scientists to more realistic studies of organisation and management."

3.3.2 Decision Theory Approach

Decision theory approach looks at the basic problem of management around decision-making-the selection of a suitable course of action out of the given alternatives. Major contribution in this approach has come from Simon. Other contributors are March, Cyert, Forrester, etc. The major emphasis of this approach is that decision-making is the job of every manager. The manager is a decision-maker and organisation is a decision-making unit. Therefore, the basic problem in managing is to make rational decision. From this point of view, decision theory approach has the following features.

1. Management is essentially decision-making.
2. The members of the organisation are decision-makers and problem-solvers.
3. Organisation can be treated as a combination of various decision centres. The level and importance of organisational members are determined on the basis of importance of decisions which they make.
4. Quality of decision affects the organisational effectiveness.
5. All factors affecting decision-making are the subject-matter of study of management. Besides processes and the techniques involved in decision-making, other factors affecting the decisions are information systems, social and psychological aspects of decision-makers. Thus, it covers the entire range of human activities in organisation as well as the macro conditions with in which the organisation works.

Contributions of Herbert Simon

Herbert Simon, a Noble prize winner in Economics, has made significant contributions in the field of management particularly administrative behaviour and decision making. His contributions cover both social systems and decision theory approaches, more particularly the latter. Simon examined the principles of management given by Urwick and Gullick and found them contradictory and ambiguous. He described these principles as 'myths', 'slogans'; and 'homely proverbs'. Simon looked at organisational problems in totality of socio-psychological context and viewed that decision making takes place in this context. His major contributions to management are summarised below:

1. Concept of Organisation. Simon has described an organisation as a complex network of decisional processes, all pointed towards their influence upon the behaviour of the operatives. He has viewed the organisation containing distribution and allocation of decision-making functions. According to him, physiology of the organisation is to be found in the process whereby organisation influences the decisions of its members, supplying these decisions with their devices. Thus, the best way to analyse an organisation is to find out where and by whom decisions are made.

2. Decision-making. Perhaps the greatest contribution of Simon is in the field of decision-making. Decision-making is the core of management and management is synonymous with decision-making. This is why he has been referred to as decision theorist. According to him, the decision process can be broken into a series of three sequential steps. These are : (i) intelligent activity: the initial phase of searching the environment for conditions calling for decisions; (ii) design activity: the phase of inventing, developing, and analysing possible course of action to take place; and (iii) choice activity: the final phase of actual choice selecting a particular course of action from those available.

3. Bounded Rationality. Simon is of the view that man is not completely rational. He has criticised the theories which are based on the assumptions of complete rationality. He has advocated the principle of bounded rationality. Accordingly, managers do not go for maximum satisfaction out of a decision but

are satisfied with good enough satisfaction from a decision. Managers cannot maximise on account of various limitations and constraints. A decision is rational if for achieving the desired ends, appropriate means are adopted. However, it is not easy to separate the ends from the means because of ends-means chain. This ends-means chain is seldom and integrated or completely integrated one. The relationship between organisational activities and ultimate objectives is also not clear. Moreover, a simple ends-means chain analysis may not help in reaching accurate conclusion because what is an end at one point of time or at one level of organisation might be a means at the other time or at other level of the organisation.

4. Administrative Man. Simon has given the concept of administrative man as the model of decision-making. The model is based on the following assumptions: (i) Administrative man adopts satisficing approach in decision-making rather than the maximising approach of economic man. (ii) He perceives the world as a simplified model of real world. Thus, he remains content with simplification. (iii) He can make his choice without first determining all possible alternatives and without ascertaining that these are in fact all the alternatives. (iv) He is able to make decisions with relatively simple rule of thumb, or tricks of trade, or force of habit. The administrative man model describes the decision-making process of managers truly than alternative theory of economic man.

5. Organisational Communication. Simon has emphasised the role of communication in organisation. According to him, there are three stages in the communication process: initiation, transmittal, and receipt of information. There may be blockade of communication at any of these three stages. In order to overcome the problem of communication, he has emphasised the role of informal communication and has attached less importance to the formal network of authority.

3.3.3 Contributions of Peter Drucker

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 *The 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), The main contributions of Drucker can be presented as follows:

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 contributions 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 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, decision-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 ; and (iii) it must make possible the training and testing of tomorrow's top managers—giving 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 a 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 also participate in the decisions 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 most 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 practise 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. Organisational 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 organisations 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 organisations 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. For example, Vishiani, a USSR management thinker, writes about Drucker as follows : "Drucker shows a certain foresightedness and understanding of the development prospects of modern production when he opposes the view that worker is no more than an appendage of machine. Moved by the desire to strengthen the position of capitalism, he endeavours to give due consideration also to some objective trends in production management. Drucker, therefore, tells the industrialists not to fear a limited participation of the workers in the management of production processes. He warns them that if they do not abandon that fear, the consequences may be fatal to them." Drucker is perhaps the only Western management thinker who has attracted so much attention of the communist world.

3.3.4 Management Science Approach

Management science approach, also known as mathematical or quantitative measurement approach, visualises management as a logical entity, the action of which can be expressed in terms of mathematical symbols, relationships and measurement data. The primary focus of this approach is the

mathematical model. Through this device, managerial and other problems can be expressed in basic relationships and, where a given goal is sought, the model can be expressed in terms which optimise that goal. This approach draws many things from the decision theory approach and, in fact, provides many techniques for rational decision-making. The major features of this approach are as follows:

1. Management is regarded as the problem-solving mechanism with the help of mathematical tools and techniques.
2. Management problems can be described in terms of mathematical symbols and data. Thus every managerial activity can be quantified.
3. This approach covers decision-making, systems analysis and some aspects of human behaviour.
4. Operations research, mathematical tools, simulation, models, etc., are the basic methodologies to solve managerial problems.

Management science approach is a fast developing one in analysing and understanding management. This has contributed significantly in developing orderly thinking in management which has provided exactness in management discipline. Various mathematical tools like sampling, linear programming, game theory, time series analysis, simulation, waiting line theory, etc., have provided more exactness in solving managerial problems. However, it is very difficult to call it a separate school of management because it does not provide the answer for the total managerial problems. Moreover, many managerial activities are not really capable of being quantified because of involvement of human beings who are governed by many irrational factors also.

3.3.5 Human Behaviour approach

Human behaviour approach is the outcome of the thoughts developed by behavioural scientists who have looked at the organisation as collectivity of people for certain specified objectives. Since management involves getting things done by people, the study of management must revolve around human behaviour. The approach, also known as '*leadership*' '*behavioural science*' or '*human resource* approach brings to bear the existing and newly-developed theories and methods of the relevant behavioural sciences upon the study of human behaviour. In contrast to human relations approach which assumes that happy workers are productive workers, human behaviour approach has been goal and efficiency-oriented and considers the understanding of human behaviour to be the major means to that end. The human behaviour approach emphasises human resources in an organisation more as compared to physical and financial resources. Since this approach studies human behaviour ranging from personality dynamics of individuals at one extreme to the relations of culture at the other, this can be divided into two groups: *interpersonal behaviour approach* and *group behaviour approach*. Writers on interpersonal behaviour approach are heavily oriented towards individual psychology while writers on group behaviour approach rely on social psychology and emphasise on organisational behaviour.

Among the many individual and social psychologists who have contributed to management are Maslow (need hierarchy), Herzberg (motivation-hygiene theory and job enrichment), McGregor (theory X and Y), Likert (management systems and linking pin model), Argyris (immaturity-maturity theory, integration of individual and organisational goals, and pattern of A B analysis), Blake and Mouton (managerial grid), Sayles (interpersonal behaviour), Bennis (organisational development), Fiedler (contingency model of leadership styles), Tannenbaum and others (continuum approach of leadership). Besides, notable contributions have come from those who have expanded a particular concept formulated earlier to make it more practicable. They include Leavitt, Stogdill, Vroom, Reddin, etc.

Apart from psychologists who have concentrated more on individual behaviour in organisation, significant contributions have come from sociologists who have studied human behaviour in group and have emphasised on group behaviour. No table among them are Homans (human group), Bakke (fusion process), Lewin (group dynamics), Katz and Kahn (social psychology of organisations). Some others have attempted to integrate the various views such as Debin, Dalton, Selznick, etc.

Major conclusions of the contributions made by behaviouralists can be presented as follows :

1. People do not dislike work. If they have helped to establish objectives, they will want to achieve them. In fact, job itself is a source of motivation and satisfaction to employees.
2. Most people can exercise a great deal of self-direction, self-control and creativity than are required in their current job. Therefore, there remains untapped potential among them.
3. The manager's basic job is to use the untapped human potential in the service of the organisation.
4. The manager should create a healthy environment wherein all subordinates can contribute to the best of their capacity. The environment should provide a healthy, safe, comfortable and convenient place to work.
5. The manager should provide for self-direction by subordinates and they must be encouraged to participate fully in all important matters.
6. Operating efficiency can be improved by expanding subordinate influence, self direction and self-control.
7. Work satisfaction may improve as a 'by-product' of subordinates making full use of their potential.

3.3.6 Systems Approach to Management

The systems approach to management and organisation indicates a new stream of management thought under modern theory of management. Since 1950, we have a period of refinement, extension and synthesis of management thought and practice. While the behavioural and quantitative schools were developing new concepts and techniques of management, a new direction in management thought

appeared which is usually called as the systems approach. Basically it took up where the process management school left off in attempting to unify management theory. It stresses the inter-relatedness and interdependence of all activities within an organisation. It includes operations research, behavioural sciences, social technical systems, management information systems and industrial dynamics.

Industrial engineering, time and motion study, operations research (called management science) and systems analysis have refined and streamlined scientific management. Similarly, we have parallel growth and refinement in personnel management and industrial relations. The human relations approach is itself now refined and we have adopted a more objective and value-based approach to understand persons in organisations. This was due to increasing use of psychology, sociology, psychiatry in the investigation of human behaviour in organisations. The greatest influence upon current management thought is, of course, due to adoption of the systems approach to our organisations and management.

The systems approach was developed only after 1950. It is the recent contribution to management thought. It was stimulated by the development of operations research. Modern theory considers an organisation as an open adaptive system which has to adjust to changes in its environment. An organisation is now defined as a structured process in which individuals interact (act and react) for attaining objectives. Classical theory defined organisation as the structure of relationship, powers, objectives, roles, activities, communications and other factors that exist when persons work together. It represented only a mechanistic structure. Modern definition also incorporates a humanistic approach. Neoclassical theory defined organisation as a group of people with a common objective and it emphasised the humanistic approach.

(a) What is a System?

The word system is derived from a Greek word meaning to bring together or to combine. A system is a set of inter-connected and inter-related elements or component parts which operate together to achieve certain goals. When relating systems to organisations, a system is an established arrangement of components which leads to the accomplishment of particular objectives as per plan.

This definition has three significant parts: (1) Every system is goal-oriented and it must have a purpose or objective to be attained. The objective provides the basis for evaluating functions performed within the system. (2) In designing the system we must establish the necessary arrangement of components. This is nothing but the organising function of management. (3) Inputs of information, material and energy are allocated for processing as per plan so that the outputs can achieve the objective of the system viz., productivity and satisfaction.

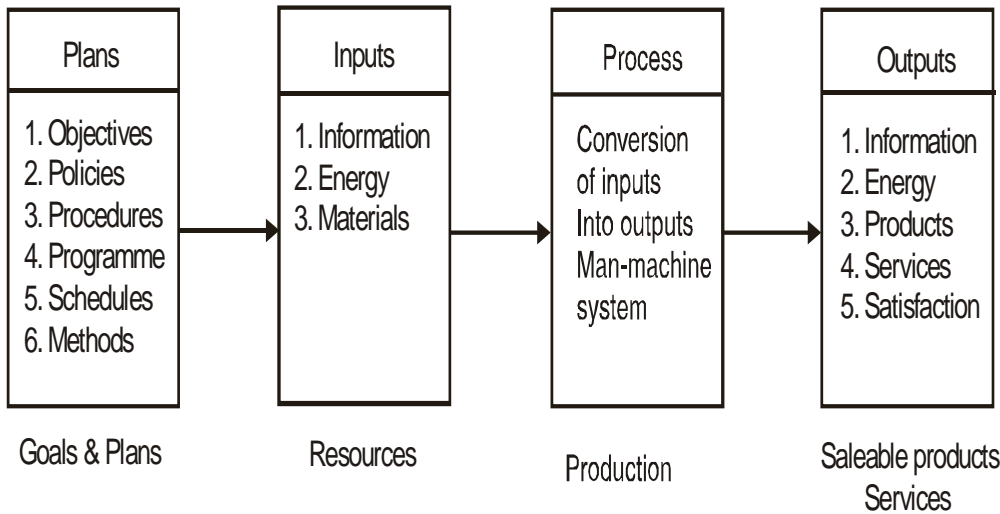


Fig. 3.1 The Design of a Basic System

Note : (1) Generally there are three basic inputs that enter the process or of the system viz., information (technology) energy (motive power) and materials to be transformed into goods. (2) If the output is service, materials are not included in the inputs. (3) If we have manufacturing company, output is goods or materials. If we have a consulting firm, output is information or advice. If we have a power generating company, output is energy. (4) The feature which define and delineate a system forms its boundary. The system is inside the boundary; the environment is outside the boundary.

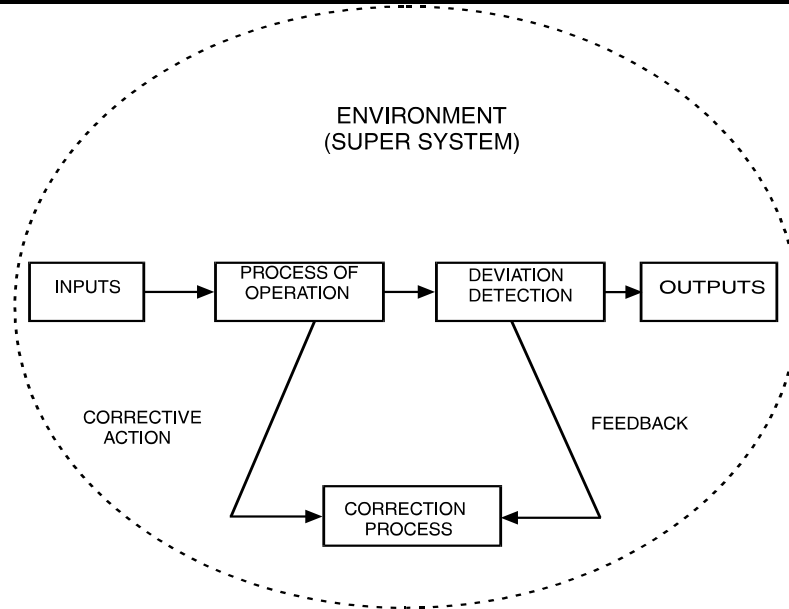
(b)Systems Approach Applied to an Organisation.

When systems approach is applied to an organisation, we have the following features of an organisation as an open adaptive system: (1) It is a subsystem of its broader environment. (2) It is *goal-oriented* people with a purpose. (3) It is a *technical* subsystem— using knowledge, techniques, equipment and facilities. (4) It is a *structural* subsystem—people working together on interrelated activities. (5) It is a *psychosocial* system— people in social relationship. (6) It is co-ordinated by a managerial subsystem creating, planning organising, motivating, communicating and controlling the overall efforts directed towards set goals.

Elements of environment include persons, physical resources, climate, economic and market conditions, attitudes, competition, and laws. The environment offers both opportunities and risks. Management overcomes risks and exploits opportunities.

AN ORGANISATION AS AN OPEN ADAPTIVE SYSTEM

(SIMPLE FEEDBACK IN A CONTROL SYSTEM)



*Fig. 3.2 An Organisation as an Open Adaptive System.
Dotted circle points out Environment Area.*

Note : (1) Modern theory regards an organisation as an open-system consisting of five basic parts or elements: (a) Input. (b) Process of transformation, (c) Output. (d) Feedback in a control system and (e) Environment. (2) The organisation and its environment are interdependent. (3) It is an open system which adapts to changing needs of the environment through a process of feedback—an perhaps systems approach has attracted the maximum attention of thinkers in management particularly in the present era. Though this approach is of comparatively recent origin, starting late 1950, it has assumed considerable importance in analysing the phenomena of management. It is an integrating approach which considers management in its totality based on empirical data. The basic idea of systems approach is that any object must rely on a method of analysis involving simultaneous variations of mutually dependent variables. This happens when systems approach is applied in management.

(c) Features of a System

A system is an assemblage of things connected or interrelated so as to form a complex unity; a whole composed of parts and sub-parts in orderly arrangement according to some scheme or plan. This has been defined as “an organised or complex whole; an assemblage or combination of things or parts forming a complex unitary whole.” On the basis of this definition, various features of a system can be identified.

1. A system is basically a combination of parts, subsystems. Each part may have various sub-parts. When a subsystem is considered as a system without reference to the system of which it is a part, it has the same features of a system. Thus, a hierarchy of systems and subsystems can be arranged. For example, the universe is a system of heavenly bodies which includes many subsystems of stars called galaxies. Within a galaxy, there is solar system. When we consider galaxy as a

system, solar system may become a subsystem but we can also consider solar system consisting of so many planets. In the same way, an organisation is a system of mutually dependent parts, each of which may include many subsystems.

2. Parts and sub-parts of a system are mutually related to each other, some more, some less; some directly, some indirectly. This relationship is not natural, given, or unalterable in a social system. The relationship is in

the context of the whole. Any change in one part may affect other parts also. Therefore, how various parts are given relationship is important for the functioning of the system.

3. A system is not merely the totality of parts and subparts but their arrangement is more important. The whole becomes greater than the total of individual parts because of the type of arrangement made in these parts and subparts. Thus, a system is an interdependent framework in which various parts are arranged.

4. A system can be identified because it has a boundary. In the case of physical system, this boundary is quite visible and, therefore, the system can be identified easily. However, in the case of a social system, the boundary is not visible because it is not like a line or wall that functions to preserve or to define what is inside. Instead, the boundary maintains proper relationship between the system and its environment—objects lying outside the system. Identification of this boundary in the case of human organisation facilitates the management of a system by differentiating those which can be controlled because they are the parts of the system and those which cannot be controlled because they are outside the system.

5. The boundary of a system classifies it into two parts: closed system and open system. All living organisms are open systems while all non-living systems are closed systems. The major differences between the two will be identified shortly.

6. System transforms inputs into outputs. This transformation process is essential for the survival of the system. There are three aspects involved in this transformation process: inputs, mediator, outputs. Inputs are taken from the environment, transformed into outputs, and given back to the environment. Various inputs may be in the form of information, money, materials, human resources, etc. Outputs may be in the form of goods and services. The total relationship may be called as input-output process and system works as mediator in this process. However, in this process, system restores some of the inputs taken from the environment. Restoring the inputs taken from the environment helps the system maintain its structure and avoid decay and death. Thus, the system can grow over the period of time. For example, a business organisation survives and grows over the period of time by earning profit in the process of transforming inputs into outputs. Profit is essential for the organisation of survive.

(d) Open and Closed Systems

The boundary of a system classifies it into two parts: closed system and open system. All living organisms are open system while all non-living systems are closed system. The major differences between the two are as follows :

1. Closed systems are those that have no interaction with environment, that is, no outside system impinges on them or for which no outside systems are to be

considered. Open systems are those that interact with their environment, that is, they have systems with which they relate, exchange, and communicate.

2. Closed systems are self-contained and self-maintaining as they do not interact with the environment. Open systems interact with their environment and in this interaction, they import energy and export output. Because of this interaction, closed systems are rigid and static but open systems are dynamic and flexible as they are subject to change by environmental forces.

3. Closed systems are generally mechanical, for example, an automatic watch. Therefore, once they are set, they work. However, open systems are affected by environmental factors and they have to be adjusted according to environment. Thus, they require restructuring because of change in environment.

4. Closed systems are like close loop while open systems are characterised by negative entropy. They import more energy than is expended or consumed. Thus, they can grow over the period of time. When this relationship is reversed, the open systems decline.

5. Open systems have feedback mechanism that helps them to maintain homeostatic, a kind of equilibrium. Homeostatic is a process through which a system regulates itself around a stable state. For example, human body works on the principle of homeostatic. It maintains its temperature relatively at a constant level despite variations in the environmental temperature. Similarly thermostat maintains this equilibrium. However, organisational equilibrium is not static. It being a dynamic system, gets feedback to maintain dynamic equilibrium. In closed systems, there is no such feedback mechanism.

The distinction between closed and open systems is there but really no system is a closed one but has some properties of open systems. The classification of various systems into closed and open is not very proper. Therefore, it is more appropriate to think of systems in terms of the degree to which they are open or closed rather than using a dichotomy of open-close.

(e) Features of Management as System

Under the systems approach, management is regarded as a system. It draws heavily from systems concepts. When systems concepts are applied to management, it is taken in the following ways :

1. Management as a Social System.

Management can be considered as a system. Therefore, management has all the characteristics of a system as discussed above. However, management is a social system and unlike biological or mechanical systems, it has the characteristics of social systems. This concept of social system is quite different from co-operative social system as discussed earlier. Management as a system consists of many subsystems which are integrated to constitute an entity.

2. Management as Open System.

Management, like any other social system, is an open system. It interacts with its environment. Out of this interaction, it takes various resources, allocates and combines these resources to produce desirable outputs which are exported to the

environment. Thus, management works as input-output mediator. These features of management suggest that it is not free to decide the things on its own but due weightage has to be given to the environmental factors affecting the management of an organisation. Consideration is required at the levels of taking inputs, transforming them into outputs, and exporting the outputs to the environment.

3. Adaptive.

Organisation being an open system, its survival and growth in a dynamic environment demands an adaptive system which can continuously adjust to changing environment. Management tends to achieve environmental constancy by bringing the external world under control, or bringing internal modification of organisational functioning to meet the needs of the changing world. Since there is a provision of feedback mechanism, management can evaluate its performance and take corrective actions. In fact, the basic role of management is considered in terms of its adaptability to environment.

4. Dynamic.

Management as a system is dynamic. It suggests that management attempts at achieving equilibrium in the organisation. However, this equilibrium is not static as happens in mechanical systems. Management moves towards growth and expansion by preserving some of the energy. Managerial effectiveness depends on this energy exchange. Therefore, it is not only the internal processing process that determines the effectiveness of management but also how it interacts with the changing environment in terms of taking inputs and giving outputs also determines its effectiveness.

5. Probabilistic.

Management is probabilistic and not deterministic. A deterministic model always specifies the use of model in a condition with predetermined results. Therefore, the outcome of an action can be predicted accurately. For example, if one wants to get the total of 250 and 500, he can press the button of a calculator and gets 750. This is possible because the outcome is certain. In the case of probabilistic model, the outcome can be assigned only probability and not certainty. For example, if a coin is tossed, the probability of getting a head is 0.5. But one cannot say with certainty that there will be 50 heads out of tossing of a coin 100 times. Management being probabilistic points out only the probability and never the certainty of the performance and consequent results. Management has to function in the face of many dynamic variables and there cannot be absolute predictability of these variables. For example, we make forecast of future events but the forecast is relevant to a certain degree only and not to the level of certainty. This is what management takes into account.

6. Multilevel and Multidimensional.

Systems approach of management points out the multilevel and multidimensional features of management. It has both macro and micro approach. At macro level, it can be applied to suprasystem, say, a business system as a whole. At micro level, it can be applied to an organisation. Even it can be applied to a suprasystem of an organisation. However, it has the same characteristics at all these levels :

subsystem level, system level, and subsystem level. Thus, both parts and whole are equally important in managing.

7. Multivariable.

Management is multivariable and involves taking into account many variables simultaneously. This feature of management suggests that there is no simple cause-effect phenomenon, rather an event may be the result of so many variables which themselves are interrelated and interdependent. This interrelatedness and interdependence makes managing quite a complex process. Thus, it realises the complexity of management.

8. An Integrated Approach.

Systems approach of management takes an integrated view of managing. It identifies the reason for a phenomenon in its wider context taking into account the total factors affecting the phenomenon. In other approaches, a particular phenomenon has been explained in terms of a single factor or cluster of factors. Management tries to integrate the various factors to find out the reasons behind a phenomenon. It emphasises on how the management of one subsystem of the organisation should be taken in relation with others because other subsystems become environment for the give system. Thus, the problem in one subsystem should not be traced into the subsystem only but in a much wider context. This is true for the management of whole organisation also.

(f) Implications of Systems Approach

Systems approach of management provides an integrated approach of managing. This considers management in its totality. The integrative approach of managing can be best understood by quoting Churchman on the systems approach of management. He writes as follows:

“There is a story often told in logic text about a group of blind men who were assigned the task of discovering an elephant. Each blind man was located at a different part of the body. A horrendous argument arose in which each claimed to have a complete understanding of the total elephantine system. What is interesting about this story is not so much the fate of the blind men but the magnificent role that the teller had given himself, namely, the ability to see the whole elephant and consequently the ridiculous behaviour of the blind system describers. The story is in fact a piece of arrogance. It assumes that a very logically astute man always gets on the top of a situation, so to speak, and looks at the foolishness of the people who are incapable of seeing the whole.”

The quotation aptly describes how management problems should be seen in an organisation, that is, by taking the totality of the organisation and not a part of it. This implies that there should be integration of various forces affecting management. We have entered a period that forces us to find out more accurate answers to the questions involving the wholeness of an operation. This age of synthesis forces management to think out in new and different ways, as suggested by the systems approach. In this, view, the whole is not merely a combination of its different parts but more than that. This more can be achieved by combining the various parts in a particular way.

Systems approach possesses the conceptual level of managerial analysis much higher than any other approach. It discards the simplistic approach of managerial analysis and suggests that management of an organisation must be consistent with the demands of organisational environment and the needs of its members. It provides a framework through which organisation-environment interaction can be analysed and facilitates decision-making, since the system within which managers make decisions can be provided as a more explicit framework, and decision-making is easier to handle.

(g) Limitations of Systems Approach

Though systems approach possesses conceptual framework of much higher order as compared to other approaches, it may be emphasised that this in no way is the unified theory of management. Systems approach came in a big way in managerial analysis and raised the hope of becoming a general and unified theory of management. A general and unified theory can be applied to all types of organisations, presenting their comprehensive analysis so that those who want to study organisations from different angles can derive knowledge. This was exactly expected of systems approach. However, this promise could not be fulfilled because systems approach suffers from two limitations.

1. Abstract Approach.

It is often suggested that systems approach is too abstract to be of much use to practising managers. It merely indicates that various parts of the organisation are interrelated. Similarly, an organisation is a social system and, therefore, is related with other organisations in the society. This is true and significant for managing. But it fails to spell out precisely relationships among these. Therefore, its contribution to managing is limited. For example, it is one thing to say that economic forces trigger social, technical and psychological changes in the organisation. But this is not enough for managing a organisation. What is required is a statement of what economic forces initiate what social, technological and psychological changes.

2. Lack of Universality.

Systems approach of management lacks universality and its precepts cannot be applied to all organisations. For example, systems approach provides modern structural forms, cybernetic system for control and communication. These systems are suitable for large and complex organisations but are not suitable for small organisations. Since most modern organisations are large and complex, it is argued that systems approach is applicable in general. This may be true but the role of a theory is not to prescribe actions for a particular category of organisations, rather, the theory should specify the relationships among different variables which can be applied to all organisations. If systems approach is seen in this perspective, some people believe that the approach is as incomplete as any other. In fact, they argue that this approach does not offer anything new. The managers have been doing their jobs seeing the problems as a network of interrelated elements with interaction between environments inside and outside of their organisations. Looking into these shortcomings of systems approach, researchers have tried to

modify the systems approach. This attempt had led to the emergence of a separate, though related, approach, situational or contingency approach.

3.3.7. Contingency or Situational Approach

Contingency or situational approach is an important addition to the paradigm of modern management theory and approach. In one way, this is an extension of systems approach. The basic idea of contingency approach is that there cannot be a particular management action which will be suitable for all situations. Rather, an appropriate action is one which is designed on the basis of external environment and internal states and needs. Contingency theorists suggest that systems approach does not adequately spell out the precise relationship between organisation and its environment. Contingency approach tries to fill this gap by suggesting what should be done in response to an event in the environment.

Some researchers distinguish between contingency and situational approaches by suggesting that situational management implies that what a manager does depends on a given situation. Contingency approach, on the other hand, suggests an active interrelationship between the variables in a situation and the managerial actions devised. Thus, contingency approach takes into account not only given situations but also the influence of given solutions on behaviour patterns of an organisation. Despite these differences and emphasis on varying factors, themes of both the approaches are common. In fact, some authors believe that the term contingency is misleading and they should have used the term situational. Nevertheless, both terms are used interchangeably.

The basic theme of contingency view can be presented by quoting Tosi and Hammer. They say that: "When a subsystem in a organisation behaves in response to another system or subsystem, we say that response is contingent on environment. Hence, a contingency approach is an approach where the behaviour of one subunit is dependent on its environmental relationship to other units or subunits that have control over the consequences desired by that subunit."

Judged in the light of this statement, contingency approach has the following features :

1. Management action is contingent on certain action outside the system or subsystem as the case may be.
2. Organisational action should be based on the behaviour of action outside the system so that organisation should be integrated with the environment.
3. Because of the specific organisation-environment relationship, no action can be universal. It varies from situation to situation.

(a) Relationship between Systems and Contingency Approaches

Contingency approach has emerged out of the systems approach. Contingency theorists have accepted the basic tenets of systems approach. They accept the basic features of organisation-environment relationship and dynamic nature of organisation. However, they feel that systems approach is too abstract to apply for managerial action. This can be overcome by modifying systems

framework and translating it into operational framework. Therefore, both approaches are related but they differ in certain context. A comparison between the two can be presented as follows :

1. Model of Human Being.

The range of activities of human beings is different under two approaches. Systems usually employs a richer model of human beings than contingency approach. The former takes into account the full range of human behaviour in the organisation while contingency approach, by and large, is interested in structural adaptation of organisation to its task environment. Therefore, contingency theorists talk mostly in terms of structural change in the organisation in response to a change in the environment.

2. Organisational Variables.

Systems approach is very broad in considering the organisational variables. It tries to cover personal, social, technical, structural and environmental variables. Therefore, managing involves establishing relationships among these variables and considering them in taking any action. Contingency approach, on the other hand, concentrates on structural adaptation of organisation. This approach tends to predict the ultimate outcome of a disturbance of the organisational equilibrium by a change in the task environment.

3. Evolution.

Major contributors in systems approach have been social psychologists while sociologists have contributed to contingency approach. Contingency approach has been built up over systems approach. Therefore, it is possible that both approaches may merge or profoundly influence each other. In fact, there are signs of convergence of two approaches. This is likely to continue and system approach may specify situations under which a particular type of organisation can function well. In fact, equifinality character of open system suggests that different strategies can be adopted by an organisation facing a particular problem. Similarly, contingency approach may provide the process by which the organisation may adapt to its task environment. Both these efforts are quite similar.

(b) Implications of Contingency Approach

Contingency approach is an important addition to the paradigm of modern theory of management. It is the sophisticated approach to understand the increasing complexity of organisations. It emphasises the multivariate nature of organisations and attempts to understand how organisations operate under varying conditions. The approach is directed towards suggesting organisational designs and managerial actions most appropriate to specific situations. The major implications of contingency approach are as follows:

1. Management is entirely situational and there is nothing like universal principles of management or one best way of doing a particular thing. What managers do depends on the circumstances and environment. Lorsch and Lawrence have described the implication of situational management as follows:

“Underlying this new approach (contingency approach) is the idea that the internal functioning of organisations must be consistent with the demands of the organisation task, technology, or external environment, and the needs of its members if the organisation is to be effective. Rather than searching for the panacea of the one best way to organise under all conditions, investigators have more and more tended to examine the functioning of organisations in relation to the needs of their particular members and the external pressures facing them. Basically, this approach seems to be leading to the development of a ‘contingency theory of organisation with the appropriate internal states and processes of the organisation contingent upon external requirements and member needs.”

2. The approach suggests suitable alternatives for those managerial actions which are generally contingent upon external and internal environment such as organisational design, strategy formulation, decision systems, influence systems, leadership, and organisational improvement. In all these cases, action alternatives cannot be arranged in advance but have to be identified and adjusted according to the situations in which decisions in respect of these have to be made.

3. Contingency approach suggests that since organisation interacts with its environment, neither the organisation nor any of its subsystems is free to take absolute action. Rather, it has to modify and adjust the actions subject to various forces like social, political, technical, and economic. Besides, the actions should be according to the needs of internal state of the organisation or its subsystems. Thus, the basic problem of managing is to align the internal state with the external state.

(c) Limitations of Contingency Approach

In spite of the various contributions, contingency approach has not been acknowledged as a unified theory of management because it suffers from some limitations. These limitations are of the following nature:

1. Inadequate Literature.

Contingency approach suffers from inadequacy of literature. Therefore, it has not adequately spelled out various types of actions which can be taken under different situations. It is not sufficient to say that ‘managerial action depends on the situation.’ The approach should provide ‘if this is the situation, this action can be taken’. Unless this is done, the approach cannot offer much assistance to the practice of management. No doubt, researches have been conducted in this direction but, by and large, they have not satisfied the needs of managers.

2. Complex.

The suggestion of the approach is very simple, that is, managers should do according to the needs of the situation. However, when put into practice this becomes very complex. Determination of situation in which managerial action is to be taken involves analysis of a large number of variables with multifarious dimensions. Therefore, there is a possibility that managers, who are always short of time, may ignore the thorough analysis of all these variables and may resort to short-cut and easier way.

3. Difficult Empirical Testing.

Contingency approach, being complex, presents problems in testing the precepts of the theory. For empirical testing of a theory, it is necessary that some methodology is available. No doubt, methodology is available but because of the involvement of too many factors, testing becomes difficult. For example, contingency theory suggests that greater the degree of congruence between various parts of organisational components, the more effective will be organisational behaviour at various levels. This lacks the empirical validity and hence cannot be adopted to managerial actions.

4. Reactive not Proactive.

Contingency approach is basically reactive in nature. It merely suggests what managers can do in a given situation. For a given organisation, suprasystem constitutes environment and management can be applied to suprasystem also. Therefore, managers are responsible to manage the environment in such a way that they avoid the undesirable aspects of environment. Since the managers are quite powerful in the society, they must be in a position to provide a sense of direction and guidance through innovative and creative efforts specially in coping with the environmental changes.

No doubt, these limitations are valid, but the situation remains that at micro level, managers have to manage according to contingency approach. They should not ignore the importance of taking actions according to the needs of the situations. For analysing the situations, they will have to use their highest skills.

3.3.8 Mckinsey's 7-S Approach

Mckinsey developed 7-S framework for management :

1. Strategy, *i.e.*, systematic allocation of resources to realise strategic goals.
2. Structure, *e.g.*, organisation structure.
3. Systems, *e.g.*, information system, control system.
4. Style, *e.g.*, managerial style.
5. Staff. *e.g.*, staffing.
6. Shared values, *e.g.*, human values in humanising an organisation.
7. Skills, *e.g.*, professional skills, strategy skills.

It is a simple, easy to remember framework. Practicing managers and teachers like it. But managerial functions of planning-action-control cycle covers them and the cycle is followed in management books.

3.3.9 The Operational Approach

It emphasises typical operations involved in management *e.g.*, line and staff, departmentation. It draws on all other managerial approaches. It has practical application to managing. However, it is based mostly on management process approach. It is almost similar to functional approach.

3.3.10 The Managerial Roles Approach

Prof. Mintzberg describes ten roles played by a manager. These are grouped into three categories. (A) Interpersonal roles covers the first three roles: Figurehead role, leader role and liaison role. The next three as informational roles cover receiver, giver and transmitter of information. The final four are termed as decisional roles such as entrepreneurial, handler of disturbances, allocator of resources and negotiator debating with third parties and workers unions.

A key point about the role of managers is, of course, the capability or adaptability of manager to many different uses in addition to those mentioned above. Much will depend upon your job and the circumstances. The specialist manager must also possess the quality of versatility.

Really speaking, the roles described by Mintzberg are evidences of all well-known managerial functions, e.g., interpersonal role is a leading function, allocation of resources is a planning function. We have many other roles played by a manager in addition to those ten roles, e.g., acting as a trouble shooter, innovator, recruiter, etc.

In interpersonal relations, *particularly*, manager must remember that he as a human being deals with other human beings. Here, human values, ethical and moral, play a very important role. He must constantly think of *values*.

3.4 Characteristics of Modern Management Thought

1. The Systems Approach:

An organisation as a system has five basic parts: (1) input, (2) process, (3) output, (4) feedback, and (5) environment. It draws upon the environment for inputs (resources). Management allocates and combines these resources or inputs to produce certain desirable outputs. The success of these outputs can be judged by means of feedback. If necessary, we have to modify our mix of inputs to produce outputs as per changing demands and changing environment.

2. Dynamic :

We have a dynamic process of interaction occurring within the structure of an organisation. The equilibrium of a organisation and its structure is itself dynamic or changing. The classical theory assumed static equilibrium.

3. Multilevel and Multidimensional:

Systems approach points out wheels within wheels or complex multilevel and multidimensional character. We have both a micro and a macro approach. A company is micro (little world) within a business system. It is macro (the great world) with respect to its own internal units. Within a company as a system we have: (1) production subsystem, (2) finance subsystem, (3) marketing subsystem, (4) personnel subsystem. All parts or components are interrelated. Both parts as well as the whole are equally important. At all levels, organisations interact in many ways.

4. Multimotivated:

Classical theory assumed a single objective, for instance, profit. Systems approach recognises that there may be several motivations behind our actions and behaviour. Management has to compromise and integrate these multiple diverse objectives e.g., economic objectives and social objectives, i.e., productivity and satisfactions (shareholders, employees, customers, community and society).

5. Multidisciplinary:

Systems approach integrates and uses with profit ideas emerging from different schools of thought. Management freely draws concepts and techniques from many fields of study such as psychology, social psychology, sociology, ecology, economics, mathematics, operations research, systems analysis, etc.

6. Multivariable:

It is assumed that there is no simple cause-effect phenomenon. An event may be the result of so many factors which themselves are interrelated and interdependent. Some factors are controllable, some uncontrollable. Intelligent planning and control are necessary to face these variable factors. We do not live in a vacuum or in a system unaffected by outside influences. We live in a dynamic and complex (macro cosm) the great world system.

7. Adaptive:

The survival and growth of an organisation in a dynamic environment demands an adaptive system which can continuously adjust to changing conditions. A viable organisation and its environment are in a dynamic equilibrium. An organisation is an open system adapting itself through the process of feedback. We have human or machine controller to provide necessary corrections on the basis of feedback of information in order to achieve desired results.

8. Probabilistic:

Management principles point out only the probability and never the certainty of performance and the consequent results. We have to face so many variables simultaneously. How can we have absolute predictability of events? Our forecasts are mere tendencies. Of course, Intelligent forecasting and planning can reduce the degree of uncertainty to a considerable extent, projects and information decision systems in future. A mechanistic or bureaucratic approach to management is appropriate when: (1) Environment is unchanging; (2) Emphasis is on efficiency, (3) Emphasis is on routine jobs, many rules and procedures. An organic or behavioural managerial approach is preferred when: (1) We have fast changing environmental, (2) We want flexibility, (3) Emphasis is on less specialised jobs, fewer rules, procedures, etc. and (4) Employees can exercise self-control and self-discipline. Systems approach/leads to holism.

3.5 Management Thought In The Light Of Indian Ethos And Insight

Western management thought could not produce the true holistic and integrative principles for management philosophy. Indian ancient wisdom provides value-based holistic approach to link our ancient culture and modern management so that we can have a new and authentic philosophy of management.

The essential link is found in holism starting with the course of subjective management, a new movement in management thinking and practice, a movement that will make 'the managerial revolution' of 21st century.

The holistic or integrative principle is a goal that unites all the different aspects of business into ONE common social, economic and ecological goal. Business organisation based on objective terms (conveniently ignoring subjective terms) was concerned exclusively with what is *preyas* of socially desired in contrast with what is socially and ecologically desirable or needed, *i.e.*, *Sreyas* (which is conveniently ignored).

Under holism, we have to develop unity and harmony between : (1) spirit and science, (2) values and skills, (3) subject and object, (4) left-brain skills and right-brain skills (5) subjective and object, (6) Management of self and management of other people for getting things done through and with them. (7) man and machine, (8) economic development and human/ecological development, (9) profit motive and social responsibility, (10) individual benefit and public benefit, (11) internal development and external development, (12) quality of life *i.e.*, standard of life and quantity of life or standard of living. We want enriched quality of life for all. Wealth is not merely for rising consumption. It is essentially a means for public good.

Under the Western management thought according to current accepted definition, business is created by society as its instrument of wealth and welfare, functioning for socially desired goals, through *result-oriented means*, in short-term success and continuous conflict between individuals and businesses.

Under Indian ethos and insight business was created by society as an instrument of wealth *for* welfare, to attain socially desirable or needed goals (*i.e.*, *shreyas* and not *preyas* goals), through ethically worthy means (*i.e.*, value-driven means and value-driven goals), resulting in a generation of healthy, wholesome individuals who carry human and ethical values and positive impulses in their community.

If management adopts value-oriented holistic management as per ancient Indian insight, the practice of management will surely acquire a new look or appearance. Developing Macro Vision is the practical need of the day. The times are rapidly changing. It will no longer be a purely objective exercise to achieve *only* external results even at the cost of internal disharmony and unrest. On the other hand, it will give equal emphasis on subjective and objective aspects of development of individual, organisations and society. Indian insight wants individuals (managers and workers) to emerge as important positive, wholesome, harmonious individuals with a sense of growing towards their own total fulfillment. In this way, managers will be able to create a healthy, wholesome, harmonious and happy community, of which the managers themselves will be satisfied members. We can have *both* increasing standard of *life* and also increasing standard of *living* for all members of the society and the nation. We shall assure *enriched* quality of life and also *enriched* material prosperity. Individuals, organisation and society all will have sustained economic growth without ecological damages, *e.g.*, pollution of environment.

The Indian wisdom insists on concepts such as *yajna* spirit (sacrificing individual desires in favour of social benefits), *sreyas* (preferring long-term benefits over short-term *preyas* gains), sharing in joy and a sense of cosmic harmony. Here, business is regarded as a means for the evolution of human society towards its own perfection, with all its activities being supplementary to and justifiable only in terms of perfection. *Means and ends both will honour human and ethical values.*

In spite of many streams of management thought in the West, we have still the unstable state of management theory. We need a modern *synthesis* to pull together ideas from all stream of thought. Indian Insight can bring about synthesis through holistic approach and reconcile *all* dualities. Holistic approach alone can give us the Macro Vision of Life as ONE expressing MANY diverse Forms. Let us develop the Vision of *Unity in Diversity.*

Eastern Insight can introduce integration or synthesis in management theory and practice. Let us Eastern Wisdom with the Western Management techniques.

Chart 3.1

EVOLUTION OF ORGANISATION AND MANAGEMENT THEORY

| Traditional Theory | Modifications | Emerging View or Systems Approach |
|---|---|--|
| Taylor Scientific Management (Efficient Task Performance) | Mayo (Hawthorne Studies) Human Relations Maslow, MacGregor, etc.; | Views on organisation as: 1. Open, adaptive system in a broader environment. |
| Weber Bureaucratic Model (Authority and Structure) | Behavioural sciences (Psychological, cultural and sociological issues) | 2. Goal oriented; including 3. A technical subsystem |
| Fayol Administrative or process Management | Quantitative decisionmaking —Management sciences (OR) (Economic-technical Rationality) | 4. A structural sub system 5. A psycho-social sub-system and coordinated by |
| Theory (Universal Management Principles). | | 6. A managerial system. (socio-economic and technological system) |
| 1900-1930 | 1930-1960 | 1960-onwards |

Two broad modification in traditional theory were introduced: (1) behavioural sciences (psychologists, sociologists and anthropologists) emphasized psycho-social system and the human aspects of management; (2) Management sciences

emphasised the economic-technical system and quantification, mathematical models and the application of computer technology. Behavioural sciences have a humanistic approach while management sciences and traditional school of management do not have direct interest in human factors or value. Behavioural sciences are gaining unique importance in the evolution of good organisational behaviour through appropriate humanised organisation structure, man-machine organisation motivation, job structure work environment, democratic participative leadership.

Under this systems approach we have integration of: (1) classical school, (2) behavioural sciences, (3) management science, and (4) decision-making school of management thought. Structure and ongoing process are given equal importance.

Internal and external environment shall determine structure and process of organisation and management. Thus we have wide acceptance for systems based contingency approach to management.

Chart 3.2 CLASSICAL VERSUS HUMANISTIC DESIGNS

| <i>Mechanistic or Classical Design</i> | <i>Organic or Humanistic Design</i> |
|--|---|
| 1. Closed systems view of organisations — all variables under management control — static environment. | 1. Open and adaptable systems view of organisation existing in a dynamic environment. |
| 2. Full division of work leading to job specialisation and standardisation. | 2. Moderate division of work leading to job enlargement, job enrichment. |
| 3. Higher degree of centralisation. | 3. Higher degree of decentralisation. |
| 4. Authority and command leading to bureaucratic, authoritarian and autocratic management. | 4. Authority, subject to acceptance from subordinates, leading to democratic participative management — decisions by consensus. |
| 5. Tight hierarchical structure with chain of command, and management by command. | 5. Loose project organisation and management by consultation and participation. |
| 6. Vertical communication down- | 6. Multidirectional and free comm- |

- | | |
|---|--|
| ward more dominant. | unication, Inter/Intra Network. |
| 7. Negative environment for development of human resources due to limited decentralisation. | 7. Positive environment for development of human resources due to adequate decentralisation. |
| 8. Organisation could satisfy only maintenance of economic needs. | 8. Ample scope for motivation needs-higher level wants. |
| 9. Relatively tight and close control over subordinates. | 9. Increasing reliance on management by objectives (self-control) |
| 10. Rigid policies, procedures, rules and methods — leading to mechanistic organisation. | 10. Flexible policies, procedures, methods leading to humanistic and flexible organisation. |
| 11. Formal organisation dominating due to autocratic approach. | 11. Integration of formal and informal organisation due to democratic approach. |
| 12. Threatening and performance oriented job environment. | 12. Supportive and development oriented job environment. |
| 13. Production centred approach of management. | 13. Customer-employee oriented management approach. |
| 14. Theory X approach of leadership. | 14. Theory Y approach of leadership. |

Modern management theory has adopted systems-based contingency approach to organisation and management.

Organisation/management structure, processes and technology in a firm constitute the internal environment forces. Social, economic, technological (research and development) legal and political variable constitute the external environment of the firm.

Concepts of management and organisation are influenced by internal and external environment of a firm.

Situation, circumstances, and environment factors determine appropriate techniques of organisation and management. Hence, no universal functions and principles of management and organisation.

- (1) In a certain environment linear programming, inventory, models, brakemen analysis can be effectively used to compute the optimal action/outcome.
- (2) In an environment of risk, the general rule is to maximise expected (likely) outcome. In risk situations PERT and other tools such as statistical quality control could help in making the decision.
- (3) In an uncertain environment, decision-making needs intuitive skills, drawing on experience and creative abilities as well as power of judgement.

3.6 Summary

Classical approach satisfied the basic economic needs of the organisation and society. Now neoclassical approach is trying to satisfy personal security and social needs of workers. Both approaches must be suitably integrated to emphasise the need not only for recognition of human values but also for recognition of productivity simultaneously. Modern management must have the twin primary objectives, viz., productivity (classical approach) and satisfaction (neoclassical approach).

Decision-making under uncertainty is a real challenge to management. Uncertainty is almost inherent in business. All strategic decisions in planning involve element of uncertainty. Higher management is responsible for such unprogrammed decisions. Computer and OR tools cannot secure unprogrammed decisions.

3.7 Self - Assessment Questions

A. Very Short Answer Questions

- Q. 1. Define neo-classical Theory.
- Q. 2. Explain the concept of Behavioural Approach.
- Q. 3. Define a system.
- Q. 4. Conceptually define management science approach.

B. Short Answer Questions

- Q. 1. Explain the Hawthorne Experiments.
- Q. 2. Evaluate Decision Theory Approach.
- Q. 3. Discuss the contributions of Peter Drucker in the field of management.

C. Long Answer Questions

- Q. 1. Explain the Implications of Hawthorne' Experiments.
- Q. 2. Discuss the criticism of Hawthorne Experiments.
- Q. 3. Comment on systems and contingency approach.

- Q. 4. Compare and contrast the classical new-classical and modern approach towards organisations.

3.8 Further Readings

1. LM Prasad : Principles and Practice of Management (Sultan Chand & Sons)
2. George R Teery : Principles of Management (Richard D Irwin Inc)
3. Harold Koontz and Heizweihrich : Essentials of Management (Mcgraw Hill series in Management)
4. Peter F Drucker : Frontiers of Management (Heinemann London)
5. Peter F Drucker : Managing for future (Tata Mcgraw Hill)

UNIT 4: FUNCTIONS OF MANAGEMENT AND SKILLS OF A PROFESSIONAL MANAGER

Structure

4.1 Introduction

4.2 Objectives

4.3 Tasks of a Professional Manager

4.3.1 Providing purposeful direction

4.3.2 Managing survival and growth

4.3.3 Maintaining relations with various society segments



- 4.3.4 Meeting the challenge of increasing competition
- 4.3.5 Managing for innovation
- 4.3.6 Building human organization
- 4.3.7 Maintaining balance between creativity and conformity
- 4.3.8 Postponing managerial obsolescence
- 4.3.9 Meeting the challenge of change
- 4.3.10 Coping with growing public criticism and political opposition
- 4.3.11 Coping with increasing levels of aspiration
- 4.3.3 Maintaining firm's efficiency in terms of profit generation
- 4.4 Roles Performed By A Professional Manager
 - 4.4.1 The Roles
 - 4.4.2 Applying the Model
- 4.5 Responsibility Of A Professional Manager
 - 4.5.1 Responsibility towards the Society
 - 4.5.2 Responsibility towards the Government
 - 4.5.3 Responsibility towards the Union
 - 4.5.4 Responsibility towards the Industry and Competition
 - 4.5.5 Responsibility towards the Distributors and Retailers
 - 4.5.6 Responsibility towards the Suppliers
 - 4.5.7 Responsibility towards the Employees
 - 4.5.8 Responsibility towards the Customers
 - 4.5.9 Responsibility towards the Shareholders
- 4.6 Summary
- 4.7 Glossary
- 4.8 References/Suggested Readings
- 4.9 Question Bank



4.1 Introduction

There is a lot of confusion over the much widely used terms, professional management and professional managers. Some researchers contend there is nothing like professional management. Management is a discipline. There are practitioners of this discipline who practice management as a profession and thus are professional managers. Just as there are doctors and lawyers by profession similarly there are professional managers. As doctors practice medicine, managers practice management. The only difference between professional managers and other professionals is that, while the latter must possess a formal degree in their discipline, a professional manager need not have a formal degree or education in management. He or she may have learnt the necessary skills and gained competence from one's own experience. The second characteristic of a professional manager is that his or her primary concern is the organisation or the company with which one works. This may be in the private or public sector or in a multinational company. A professional manager always has the company's overall perspective in mind and all the actions are guided by the company's objectives irrespective of the managerial level one is working at. The third most important characteristic of a professional manager is that he or she is responsible for performance. Managing involves collecting and utilising resources (money, men, materials and machines) in the most optimal manner for achievement of some pre-determined objectives or results. It is the professional manager's responsibility to utilise resources to produce the required results. Responsibility and performance are really the key words in defining a manager's role. Performance implies action, and action necessitates taking specific steps and doing certain tasks.

4.2 Objectives:

- To understand the term "management professional"
- To develop familiarity with various tasks of a professional manager, and
- To develop familiarity with various roles of a professional manager, and
- To know what exactly are the tasks which a manager has to undertake in the course of managing an organisation.
- To understand the various responsibilities of a professional manager.

Let us first take up the various tasks which a manager is expected to do to produce results.

4.3 Tasks of a Professional Manager

4.3.1 Providing purposeful direction

A manager can be compared to the captain of a ship who has first to set the course to reach the destination and then steer the ship along the course. Similarly, a manager has to, first of all, set objectives which the firm must achieve.

Objectives provide the direction in which the firm must move. Having decided upon the objectives, the manager must constantly monitor the progress and activities of the firm to ensure that it is moving in the desired direction. This is the first and foremost task of every manager.

If you are a part of the top management team then you will be very actively involved in this task through the process of defining the mission and objectives for the entire organisation. If you are a manager reporting to the top manager, it is your task to see that the actions of the people who work for you in your department or division are in the desired direction. It is your task as a manager to prevent all such actions which take your company away from the direction set by the top management.

All actions and decisions must be evaluated on the basis of their contribution towards achievement of the company's objectives. However, this should not give you the idea that objectives or direction once set will hold good for all times to come or that any movement away from the current line or production or activity is always undesirable. The key point is that all movements and actions must be **consistent** with achievement of the **objectives**.

To ensure consistency it is important that the manager carefully thinks through each alternative course of action and evaluates its potential to contribute towards attainment of objectives.

4.3.2 Managing survival and growth

"Survival of the fittest" is the law of the jungle which is equally applicable to the competitive market place where firms struggle and fight for survival. Ensuring survival of the firm is a critical task of the manager. But that alone is not enough. The manager has also to actively seek growth. No matter how big or powerful a firm may be today, it is sure to be left behind in the race by newer, healthier and more efficient firms if it does not pursue growth .

Two sets of factors impinge upon the firm's survival and growth:

- i) The first is the set of factors which are internal to the firm and are largely controllable. These internal factors are choice of technology, efficiency of labour, competence of managerial staff, company image, emphasis on customer care, financial resources, etc.
- ii) The second set of factors influencing the firm's ability to ensure survival and growth are those which are external to the firm and over which it has little or no control. These external, environmental factors refer to government policy, laws and regulations, changing customer tastes, attitudes and values, increasing competition or even natural calamities. For example tourism to India was adversely effected because of the epidemic in Surat and many tourism firms suffered heavy losses because of cancellations.

4.3.3 Maintaining firm's efficiency in terms of profit generation

Efficiency is the ratio of output to the input. A manager has not only to perform and produce results, but to do so in the most efficient manner possible. To produce results a manager requires inputs in the form of money, men, materials and machines. The more output that the manager can produce with the same input, the greater will be the profit generated. Profit is the surplus or difference the manager can generate between the value of inputs and outputs.

Profit is essential for the survival and growth of any business. A manager may decide to forego some profit today for the profits which are being sought for tomorrow but in the long run one must understand that no business can survive if it does not make profits. Business activity is undertaken to satisfy a need of the society in a manner which yields profits. A business is not a philanthropic or charitable activity which is run merely to provide some goods and services irrespective of whether it is making a profit.

Profit generated can be used for expansion, upgrading of technology, growth or paying dividends. Profits are one of the cheapest sources of financing growth, as they involve no interest liability, nor putting the freedom at stake by having representatives of financial institutions sit on your board of directors. Profit gives you the cushion to take risk, think big and venture into relatively unknown areas.

A profitable firm can turn unprofitable because of obsolete technology, inability to meet high fixed cost structures, high levels of wastage, or simply because the product or service is no longer in demand by customers.

4.3.4 Meeting the challenge of increasing competition

In today's fast changing world, one of the very critical tasks of every manager is to anticipate and prepare for the increasing competition. Competition is increasing in terms of more competitors, more products and services, wider variety of products, better quality of products and a customer who is, today, better informed and more aware than ever before. The increasing reach and popularity of electronic media as a means of information has also contributed to the increasing competition. The manager today has more potential customers to sell to and easy access to these customers. Yet the market is crowded with many competitors wooing the same customers.

Till a decade ago, the Times of India group of newspapers and magazines reigned supreme in magazine market with its 'Illustrated Weekly of India' being the only Indian family magazine and 'Filmfare' the only notable film magazine. The former could be found in most homes which had a minimum level of literacy and affluence. And 'Filmfare' was the only magazine for people interested in films. The introduction of 'India Today' and 'Stardust' brought about a radical change starting in a modest fashion. 'India Today' is probably the most widely read general interest magazine while 'Stardust' has blazed its own unique trend-setting trail of popularity. In the wake of the success of these two magazines, many other magazines followed, such as general interest magazines, film magazines, women's magazines, children's magazines, special interest magazines, etc. All

these new magazines have better reading content, more colour, better layout and are very glossy and attractive to look at. Unable to match these new magazines the circulation of the 'Illustrated Weekly of India' and 'Filmfare' slumped. However, in the last years these two magazines have been attempting to regain the lost ground and have succeeded to some measure. But they can certainly never again enjoy the leading position which they once did.

In developed countries the concept of competition is very closely linked to that of obsolescence. Companies keep introducing successively new tourism products with minor variations, and persuading the customers to discard their old travel habits for newer ones.

4.3.5 Managing for innovation

Innovation is finding new, different and better ways of doing existing tasks. In the context of business, innovation has to be defined in terms of the additional value it imparts to the existing products or services. Value is not expressed in terms of increased cost or price but in terms of the difference it makes to the customer.

A television manufacturing company, after years of painstaking effort, introduced a circuit with a neat and clean layout which was extremely easy to service. The company spent large amounts of money promoting this new circuit and its improved servicing but the customers were not impressed and sales did not pick up as per expectation. Customers were not convinced because they could not really perceive the difference and importance of the circuit since its impact on performance was very marginal. The marketing consultant to the company recommended that instead of using plywood the company should use transparent plastic back-covers for the chassis. This would allow the customers to see the circuit and decide for themselves the truth of the company's claim. This is an innovation because it makes a vital difference to the customers who can see and understand for themselves the improvement.

Very often it is the customer who provides the source of innovation. For example a study conducted by Eric Von Hippel and James Utter back on the source of innovation in the scientific instruments business revealed that more than 75 per cent of ideas for innovations came from users. Same is true in the tourism sector as many tourists have their own ideas about a holiday and accordingly itineraries are prepared or services are provided.

To plan and manage for innovation is an on-going task. The first thing the manager must do is to maintain close contact and relation with customers. The firm's frontline managers provide the most direct link for the company with its customers. The task of the manager is to train them to keep their eyes and ears open for any type of information, ideas, suggestions, complaints, criticisms, and feed it back to the company. An extensive innovation study conducted by Christopher Freeman has concluded that successful companies pay a great deal of attention to the market. Successful firms innovate in response to market needs, involve potential users in the development of the innovation, and understand users' needs.

The manager can also maintain a link between customers and the company. Proctor and Gamble, one of America's largest consumer goods company, put on its packaging a telephone number at which the customers could call at company's expense and give any information regarding the product. In 1979 this company received 40,000 telephone calls, each of which was followed through, and was a major source of ideas for innovation and improvements. Similarly many tour operators, hotels and airlines seek feedback from their customers by asking them to fill feedback forms or suggestion forms.

Keeping track of competitor's activities and moves can also be a source of innovation as can improvements in technology. To qualify as innovative, the technology must be market and customer-oriented. In most cases, innovation as finally introduced in the market was never originally intended to be so. You can appreciate the truth of this statement better when you know that xerography was originally aimed at a small segment of the lithography (a special type of printing process) market, it was never intended to be used in making mass copies. Transistors, which, prior to the development of integrated circuits, were used in manufacture of television, radio, etc., were originally developed for military use. As a manager you should keep a close watch on the improvements taking place in technology and try to find a customer-oriented application for them. The use of computers in reservations and putting up web sites on internet for destination promotion are examples in this regard.

The manager who has his or her finger on the pulse of the market can quickly find out under the surface changes and shifts taking place and accordingly modify the product or service to match the customer requirement. It is not the absolute amount of money and effort which a firm invests in research and development but its ability to quickly adapt and place in the market the improved product, which accounts for its innovativeness. This calls for flexibility in organisational structure to accommodate the necessary changes. In the final analysis, it is that manager who inculcates and nurtures curiosity and an open mind, and combines it with market feedback, who will emerge as winner in the race in which innovation is at a premium.

4.3.6 Building human organisation

Humans are by far the most critical resource of an organisation. No amount of money, materials, and machines can produce results by themselves. Machines can be programmed to take over routine, repetitive jobs but only a human brain can design the machines and again you need humans to manage them.

"Surround yourself with the best people you can find, delegate authority, and don't interfere." was the advice given by U.S. President, Ronald Reagan to practising managers (FORTUNE, September 15, 1986). Certainly useful advice except for the drawback that good people, leave alone the best, are so difficult to find. 'I just can't seem to find the right people' is an often heard lament from many a manager. It is indeed a paradoxical situation that we have so much unemployment on the one hand and on the other it is genuinely difficult to find the right sort of people. A small consulting firm's experience is that an advertisement for sales representatives in a national newspaper fetches anything upto four hundred

applications and you are lucky if you are able to pick up even two or three good people.

This only reinforces the fact that a good worker is a valuable asset to any company. And, every manager must constantly be on the look out for people with potential and attract them to join the company. A manager with a competent team has already won half the targets. Note that we use the word team, and not individuals. However, competent or brilliant individuals may be, if they cannot work together with each other they are of not much use to a company. It is up to the manager to mesh individuals into a well-knit team which should be built on the principles of divisions of labour, specialisation of work and mutual give and take.

Realising the importance of creating a team spirit and teamwork for achieving the organisational objectives, progressive companies are trying to build this up in every possible way. However, the right team spirit will be created when there is clear demarcation in areas of functioning and responsibilities among the team members.

Hiring good people is still a relatively simple task as compared to the task of retaining them. People may join a company because of its favourable image but will stay on only if they find appreciation for, and satisfaction from, their work.

To retain talented people, the manager should provide a comfortable working environment which is conducive to work. More important than the physical environment is the degree of freedom which a worker enjoys in making decisions within the defined parameters of his or her job. When a worker knows that it is his or her responsibility to produce results and he or she is accountable for them, best efforts would be put in. On the other hand, if the worker is always ordered to do every single act, and nothing is left for him or her to decide, whatever little potential exists in him or her will be killed. A worker should be able to take pride in the work, derive satisfaction from saying 'This is my achievement'. To ensure that work does not degenerate into a boring and meaningless affair, repetitive or dull tasks should be interspersed with tasks which call for some element of creativity. In practice this may be difficult, but the manager must at least give some thought to how best he or she can make work meaningful. Rotating jobs within the same department at the same level may be one way of making work more interesting and provide opportunity to the worker to demonstrate his or her professional and technical skills.

The manager must also understand that each individual is unique and the degree of expertise at handling various aspects of works varies from person to person. As an effective manager, your attempt should be to pinpoint your subordinates' strengths and give them work in which their skill can be utilised to the maximum. In areas where they feel inadequate, provide them support.

Recognising, appreciating and nurturing your subordinates' talents will bring you rewards in terms of improved results and loyalty. However, two other key concepts, communication and motivation must also be remembered in the regard. A manager who encourages open, direct and frank communication is always able to tackle issues much before they become problems and also takes advantage of the creative ideas of employees. Opportunity to communicate directly with the top

manager enhances the sense of self-esteem of workers and helps create in them a sense of belonging, a feeling that what they think and feel is important to their organisation.

Every individual's behaviour is initiated because of some needs, drives and desires and is directed towards achievement of goals. These needs and drives motivate a person to action. The manager's attempt should be to influence these needs, desires or motives towards the achievement of the organisational goals. The more such motivational factors a manager can incorporate in the work content, environment of work and rewards of work, the more willingly will people put in hard work. Money, power, status, recognition, etc. are all powerful motivators which a manager can use.

Every manager is a leader in the sense that he or she has to influence subordinates to work willingly for achieving the organisational objectives and inspire them to put in their best effort. The only way a manager can be acknowledged as a leader is by continually demonstrating his or her leadership abilities. If the manager always gives due importance to the welfare and interests of employees, makes objective decisions that benefit everyone, he or she will be rewarded by the confidence and trust of employees. The beginning is always made from the top, the beginning of rot or excellence, that is up to you to choose. Whichever you choose remember that it is a very important choice, because once the momentum builds up it is difficult to stop and reverse the process.

An effective leader must be a person with a vision who can think and plan ahead, and also have persuasion to carry along all the people.

4.3.7 Maintaining balance between creativity and conformity

Developing a new idea, concept, product or service can be very creative, challenging, and exciting. But, that is only one part of the story. The other part of the story, and usually the more difficult part, is to translate this idea into a successful business. This requires detailed planning and organising of finance, marketing, administration, etc. While new product development involves a high degree of creativity, its transformation into a successful business reality involves carrying out relatively more and more repetitive tasks. Designing a new tour package can be very challenging and satisfying work but selling it in tourism markets could be routine yet at the same time a job done well.

A manager is lucky if elements of both creativity and conformity can be found in the same individual. Usually this is not the case, and most organisations have separate Product Development Groups or Research and Development Division. Creativity can flourish best when allowed full freedom with minimum rules and regulations. Thus most firms allow the product development groups to function in a relatively freer atmosphere. An advertising agency known for the excellent advertisements it produces, allows its creative people, the copy-writers and art-director, the freedom to come into office and leave whenever they please. As long as the work is completed within the deadline, management allows its creative people a great degree of freedom.

In contrast to creative success for which definite output or results cannot be pre-determined, business success requires achievement of specific, usually quantifiable targets. In business the best results are usually obtained within the conformity of company policies and rules. However, this is not to say that managing for business results is boring and requires no creativity. On the contrary, succeeding in today's cut-throat competitive world calls for creativity in all the functional aspects of managing be it finance, marketing, advertising, public relations or human relations.

To succeed, an organisation needs both creative people and people who can produce business results. The manager must encourage both kinds of persons in the organisation. A new product idea gives a company a rare opportunity to emerge out of the humdrum of competition to the top, but the transformation of opportunity into reality depends on the people performing the business operations.

4.3.8 Postponing managerial obsolescence

Managers and executives, after 40 to 45 years of work experience, often find themselves having reached a plateau where, on the one hand, the prospect of enhanced status, increased pay and perks are no longer motivators enough to work hard; and on the other, they find they are unable to relate to the latest managerial knowledge and skills and feel totally lost. In both cases, these managers cease to be productive and become a drag on the organisation in terms of their heavy cost and inability to make meaningful contribution. This is the problem of managerial obsolescence that is when managers become unproductive, or out of date, or both. In the situation where lack of motivation seems to be the cause, the solution lies in redesigning their job content to make it more meaningful. For example, an aerospace company designates its senior engineering managers as consultants to its groups of young engineers, thus providing the right outlet for their rich experience.

Training programmes aim to provide or improve knowledge and skills which can help the manager improve his or her performance on the job. Many companies regularly sponsor their senior managers to attend such training programmes. Other companies invite experts to their own company premises to conduct these programmes and workshops. Training programmes, refresher courses, and basic courses in functional areas are the solution for managers facing knowledge obsolescence.

These training programmes are not restricted to senior managers alone. In fact, younger managers can also benefit from these programmes, especially those which provide knowledge of other functional areas such as production for non-production managers. Also beneficial for the young managers are workshops aimed at training them for the top level management posts.

4.3.9 Meeting the challenge of change

One of the important tasks which every manager has to perform is that of a change-agent. The social, political, economic, technical and cultural environment in which

the firm operates is always changing. The company must keep pace with these developments and change accordingly. Similarly, within the organisation, new types of production technology may be introduced, the existing product lines may be phased out, formal procedures and techniques for planning, resource allocation, job appraisal, etc. may be introduced. All these imply a change. Used to the old system or method of doing a particular job, many a times people perceive change as a threat to their security. Moreover, change implies learning afresh the new methods or processes and most people resist making this extra effort.

For example, the marketing department of a television company always complained of the low quality circuit in the black and white TV and held it responsible for its poor sales performance. However, when an improved circuit was introduced, the marketing department tried its best to convince the top management against this change saying that the old circuit was now performing in a satisfactory manner. The real reason however, was that the marketing department would now be under pressure to show results as it would have no scapegoat to blame for its lack of results. The engineer responsible for providing after sales service opposed the new circuit since it meant putting an effort to learn the new way of servicing it.

There will always be change. It is the manager's task to ensure that the change is introduced and incorporated in a smooth manner with the least disturbance and resistance. Sharing information about the impending change, educating the people about the benefits resulting from changes, and building favourable opinion of the key people in the organisation by involving them with the change process itself go a long way in making the manager's task easy. The ideal way to introduce change in the minds of a few people, and then let the idea grow and build till the people themselves come round to asking for the change. This is the way the Japanese make decisions by consensus. However, it is not always possible to introduce change by having consensus. There may be limitations of time or money, or pressure of competition which may make the consensus method impractical.

The two areas which are witnessing dramatic changes in technology are production and information handling.

In the area of production, technological sophistication has reached the level where the entire production plants are fully automated and programmed to run with the minimum human intervention. For instance, at Nissan's Zama plant, where Nissan cars are manufactured, the final assembly line operations are fully automated and controlled by robots. These robots have totally replaced men in such jobs in which the former can be programmed to perform round the clock without any fatigue or loss of efficiency. Robots are also being used in manufacturing which requires handling of bulky and dangerous materials. All these changes in production techniques have forced managers to find ways and means of relocating the workers rendered redundant. Simply laying off is not always the best solution as it can involve a very high compensation cost. Moreover, in many countries because of the government's political ideology or cultural values (as in Japan where the concept of employment with a company is lifelong), laying off workers is not permissible.

The use of computers in business has totally changed the way the managers make decisions. Managers today not only have access to more updated information but also better information which can improve quality of their decisions. Moreover, with electronic data processing managers can use complex statistical and mathematical models and tools to study the possible impacts of their decisions. All this helps lessen the degree of risk by reducing the level of uncertainty. However, access to more information places the onus on the manager to define what relevant information he or she needs and also ensure that the benefit derived from the information which is received is greater than the cost incurred in collecting and processing it.

4.3.10 Coping with growing public criticism and political opposition

Large business groups are often the target of political and public criticism because of their apparent power and clout arising out of concentration of economic power. By Indian standards this economic power may seem great but is very small by international standards. The criticism is not always evoked by facts but because of ideological, political or personal reasons. But sometimes the criticism may be founded on facts. For example environmental laws are often floated by resort developers particularly in coastal areas or in the hills.

The best way to avoid political and public criticism is to keep all activities absolutely legal and above board. Secondly, the manager should keep a low profile of his or her company to avoid drawing unnecessary attention to the firm's activities. And finally, the manager should feed correct information to the media and political parties to ensure that they view the firm in the right perspective.

4.3.11 Coping with increasing levels of aspiration

Improvement in information technology is resulting in an increasing trend towards democratisation of the society. People in one part of the world know more about people and events in other parts of the world. Similarly, people belonging to one socio-economic segment of society know more than ever before the life styles of people in higher socio-economic segments. Exposed to a better quality of life and a better life style, people from the lower economic segments, especially the younger people, aspire for the same kind of life style.

A manager must bear this fact in mind while dealing with blue-collar workers because there is bound to be a vast gap between their levels of aspirations and reality. If the manager is ignorant and insensitive to this gap, the workers' resentment and frustration is bound to spill over in ways which can prove disruptive and destructive to the firm's working.

You, as the manager, must understand the nature of aspiration of your workers and try to fulfil them, as far as possible, within the framework of the company and the workers job. Giving more autonomy, responsibility, money, status and enhancing the worker's sense of self-esteem through participation in management decisions can channelise his or her latent or potential resentment towards more productive ends.

4.3.14 Maintaining relations with various society segments

A firm fulfils a need or needs of the society. It exists within the society and has a two way interaction with it. It seeks inputs in the form of money, men, materials, machines and technology from the society and processes them to produce goods and services for consumption by the society. In course of this interaction the manager has to deal with various society segments, such as the labour market from which it recruits its people, suppliers of machines and technology, banks and financial institutions who supply money, the government which defines the scope and parameters within which the company has to operate, the retail outlets or agencies which stock and sell the products and the customers who buy the product. This is by no means an exhaustive list, but just an indicative listing of the various types of society segments with which you have to maintain relations.

In fulfilling the needs of the society and interacting with various society segments a firm creates impacts. Some of these impacts are intended while others are not. When a firm advertises through newspapers and magazines it is creating an awareness for its products. This awareness is an intended impact. However, when the magazines and newspapers carry editorial articles about the company and its products, it may create an impact which was never intended by the firm. Since some of these unintended impacts may be unfavourable to the company's image or spread information which is incorrect or inaccurate, the manager's attempt should always be to minimise these negative impacts.

4.4 Roles Performed by a Professional Manager

Given the wide range of diverse tasks which a manager is called upon to perform **it is essential that the manager be a thinker, a doer and a people-oriented person all rolled into one.** However, it is rare that you find a manager who has the ideal combination of all three dimensions in equal parts. To be effective you must recognise your strong dimension and look for an opening where your strength can be best utilised. Put simply, you're constantly switching roles as tasks, situations, and expectations change. Management expert and professor, Henry Mintzberg, recognized this. He argued that there are ten primary roles or behaviors that can be used to categorize a manager's different functions.

4.4.1 The Roles

Mintzberg published his Ten Management Roles in his book, "Mintzberg on Management: Inside our Strange World of Organizations," in 1990. The ten roles are:

1. Figurehead.
2. Leader.
3. Liaison.
4. Monitor.
5. Disseminator.
6. Spokesperson.

7. Entrepreneur.
8. Disturbance Handler.
9. Resource Allocator.
10. Negotiator.

The 10 roles are then divided up into three categories, as follows:

| <u>CATEGORY</u> | <u>ROLE</u> |
|------------------|--|
| A) Interpersonal | 1) Figurehead 2) Leader 3) Liaison |
| B) Informational | 4) Monitor 5) Disseminator 6) Spokesperson |
| C) Decisional | 7) Entrepreneur 8) Disturbance Handler 9) Resource Allocator 10) Negotiator |

Let's look at each of the ten roles in greater detail.

a) Interpersonal Category

The roles in this category involve **providing** information and ideas.

1. **Figurehead** - As a manager, you have social, ceremonial and legal responsibilities. You're expected to be a source of inspiration. People look up to you as a person with authority, and as a figurehead.
2. **Leader** - This is where you provide leadership for your team, your department or perhaps your entire organization; and it's where you manage the performance and responsibilities of everyone in the group.
3. **Liaison** - Managers must communicate with internal and external contacts. You need to be able to network effectively on behalf of your organization.

b) Informational Category

The roles in this category involve **processing** information.

4. **Monitor** - In this role, you regularly seek out information related to your organization and industry, looking for relevant changes in the environment.

You also monitor your team, in terms of both their productivity, and their well-being.

5. **Disseminator** - This is where you communicate potentially useful information to your colleagues and your team.
6. **Spokesperson** - Managers represent and speak for their organization. In this role you're responsible for transmitting information about your organization and its goals to the people outside it.

c) Decisional Category

The roles in this category involve **using** information.

7. **Entrepreneur** - As a manager, you create and control change within the organization. This means solving problems, generating new ideas, and implementing them.
8. **Disturbance Handler** - When an organization or team hits an unexpected roadblock, it's the manager who must take charge. You also need to help mediate disputes within it.
9. **Resource Allocator** - You'll also need to determine where organizational resources are best applied. This involves allocating funding, as well as assigning staff and other organizational resources.
10. **Negotiator** - You may be needed to take part in, and direct, important negotiations within your team, department, or organization.

4.4.2 Applying the Model

You can use Mintzberg's 10 Management Roles model as a frame of reference when you're thinking about developing your own skills and knowledge. (This includes developing yourself in areas that you consciously or unconsciously shy away from.)

First, examine how much time you currently spend on each role. Do you spend most of your day leading? Managing conflict? Disseminating information? This will help you decide which areas to work on first.

Next, get a piece of paper and write out all ten roles. Score yourself from 1-5 on each one, with 1 being "Very skilled" to 5 being "Not skilled at all."

Once you've identified your weak areas, use the following resources to start improving your abilities in each role.

- **Figurehead**

Figureheads represent their teams. If you need to improve or build confidence in this area, start with your image, behavior, and **reputation**. Cultivate **humility** and

empathy, learn how to **set a good example at work**, and think about **how to be a good role model**.

- **Leader**

This is the role you probably spend most of your time fulfilling. To improve here, start by taking our quiz, **How Good Are Your Leadership Skills?** This will give you a thorough understanding of your current abilities.

Next, learn how to be an **authentic leader**, so your team will respect you. Also, focus on improving your **emotional intelligence** - this is an important skill for being an effective leader.

- **Liaison**

To improve your liaison skills, work on your **professional networking** techniques. You may also like to take our Bite-Sized Training course on **Networking Skills**.

- **Monitor**

To improve here, learn how to **gather information** effectively and **overcome information overload**. Also, use effective **reading strategies**, so that you can process material quickly and thoroughly, and learn how to **keep up-to-date with industry news**.

- **Disseminator**

To be a good disseminator you need to know how to share information and outside views effectively, which means that good communication skills are vital.

Learn how to share organizational information with **Team Briefings**. Next, focus on improving your **writing skills**. You might also want to take our **communication skills quiz**, to find out where else you can improve.

- **Spokesperson**

To be effective in this role, make sure that you know how to **represent your organization at a conference**. You may also want to read our articles on **delivering great presentations** and **working with the media** (if applicable to your role).

- **Entrepreneur**

To improve here, build on your **change management** skills, and learn **what not to do when implementing change** in your organization. You'll also need to work on your **problem solving** and **creativity skills**, so that you can come up with new ideas, and implement them successfully.

- **Disturbance Handler**

In this role, you need to excel at **conflict resolution** and know **how to handle team conflict**. It's also helpful to be able to **manage emotion in your team**.

- **Resource Allocator**

To improve as a resource allocator, learn how to **manage a budget, cut costs, and prioritize**, so that you can make the best use of your resources. You can also use **VRIO Analysis** to learn how to get the best results from the resources available to you.

- **Negotiator**

Improve your negotiation skills by learning about **Win-Win Negotiation and Distributive Bargaining**.

Mintzberg's 10 Management Roles model can be applied by using it as a frame of reference when you want to develop your management skills. Work on the roles that you fulfill most often as a priority, but remember that you won't necessarily fulfill every role as part of your job.

4.5 Responsibility of a Professional Manager

As a part of our talk on role of manager we have already talked on so many important factors and role. Those are belonging to society segment like professional management, manager role, quality management, product management etc... Today we are going to talk on another factor which is also play a important role between the company and consumer and that is the professional manager.

Your responsibilities a manager arise out of the various social interactions in which your firm is engaged in the pursuit of its business. You may be directly involved in these as in the case of interactions with employees, shareholders, customers, etc. where the interaction is based on a fair and obvious exchange of money, goods and services. The interaction can also be indirect as in case of interaction with society where both the firm and society impinge upon and affect each other in hundreds of different ways. For example a blinds company hires professional manager to bridge for selling of their roman shades and vertical blinds products with the customer. That manager is supposed to keep relation between their clients and company.

A firm which wants to maintain a positive image in the society must assume and discharge with utmost sincerity its social responsibility. Gone are the days when firms confined themselves solely to running their business without a thought for the society in which they existed. Today every firm, big or small, is expected to make its contribution towards a better quality of life for the entire society. Big companies are having their own philanthropy or trust to help needy people.

4.5.1 Responsibility towards the Society

Managers have much to learn by emulating the example of Indian Petrochemicals Corporation Limited (IPCL), a government undertaking, which is playing a very positive and active role in fulfilling its social responsibility.

A truly responsible manager not only takes steps to prevent or minimize any negative impact of his firm's operations on the society, but also takes the initiative in playing a more positive role towards society. Tata Steel's attempts at educating people about leprosy through advertisements in newspapers and magazines is an example of the useful and constructive role firms can play in creating a more harmonious society. Many companies have founded educational institutions and free medical facilities for the benefit of society at large. Irrespective of the motivation behind such acts, the result is a tangible benefit for use by all society members.

In times of calamities such as earthquakes and floods, many companies finance teams of doctors and rescue workers for relief work. In our aim towards a peaceful and prosperous society we need business firms who are willing to step out of the narrow confines of their offices into the larger arena of society and take bold decisive actions to create a better quality of life for all of us

The pattern and extent of rainfall is changing, leading to frequent droughts in widespread areas. Rare species of animals, birds and plants have become extinct in the wake of the destruction of their natural habitat. People are deprived of their traditional means of livelihood and the rich cultural heritage is destroyed forever.

All this does not imply that there should be no factories, industry or no economic development. Certainly we need development, economic as well as ecological and environmental. The solution lies in matching economic development with development of the environment. When a firm puts up its factory it must also install a plant for treating and disposing of its industrial waste. When timber merchant cuts 15 trees he must plant at least that many new saplings. Offices who want to use roller shades and woven wood shades and other blinds it looks good if they plan that many new plants in their areas. Nature's resources are limited. When we consume them faster than they can be replenished or provided anew, it is our responsibility to ensure that our children inherit a world which is healthy, green and safe for all living creatures.

It is your responsibility as a manager to make sure that the operations of your firm do not in any way obstruct, disturb, disrupt or destroy physical structures (historical buildings, monuments), the flora and fauna, and animal and human life. Apart from the specific society segments with whom the firm interacts in the course of conducting its business, the manager also has responsibility towards his surroundings and the people living in the vicinity of his factory and office. Firms behave irresponsibly when they pollute their physical environment by releasing harmful smoke and gas into the atmosphere, discharging toxic effluents into nearby rivers, lakes or seas, and dumping their waste matter in surrounding lands. All these have a detrimental effect on the environment and affect the health of the people by polluting the air they breathe, the water they drink and the food they eat. The Bhopal tragedy where poisonous gas leaking from the factory of Union Carbide caused the death of thousands of innocent people is an example of the extent of damage which can be caused if proper precautions are not taken.

The government is only now realizing the irreparable harm which firms, in pursuit of their business, are causing to the environment and the ecological balance. Vast forests have been indiscriminately felled by firms in their narrow, single-minded

pursuit of profit. This has created an imbalance in the ecology of the area. Floods have become a recurrent feature in areas which had never been known to be flood-prone.

4.5.2 Responsibility towards the Government

It is wholly the responsibility of the manager to ensure that the constitution and operations of the firm are within the legal framework as specified by the government. This legal framework may vary, depending upon the nature of ownership of firm (proprietary, partnership, private limited, joint stock, Indian or foreign, etc.), size of the firm, and specific industry within which the firm operates. The government has laid down specific industry within which the firm operates. The government has laid down specific rules, guidelines and norms which impinge upon the firm right from the stage of its inception.

For Blinds Company who manufactures roller shades, there are specific rules and guidelines and norms from government than for term life insurance agents. The governments' rules and regulations, norms are made for different types of business and different type of size of industry. It changes with the type, size and category change.

There be as a responsible manager you must ensure that your company is operating well within the legal framework and is fulfilling all its obligations towards the government. Whether it is a matter of posting a copy of the company balance sheet to the Registrar of Companies or setting up a joint venture in a foreign country, the actions must not violate the laws and regulations.

The second area of discharging your responsibility towards the government is in the matter of paying regularly and fairly all taxes, dues and duties. The recent raids on large industrial groups are an attempt on the part of the government to unearth unpaid taxes and undeclared assets. A manager who acts in a responsible manner will be ensuring that his firm never has to face such a situation. The manager must strive to make firm a model corporate citizen.

4.5.3 Responsibility towards the Union

The union will always bargain with you for the maximum benefit. As a manager you should not try to block this bargaining process but aid it by providing the union with the correct facts and figures about costs and profits and thus aim for a realistic, workable agreement which suits both the parties.

Besides providing the correct information you should attempt to involve the union in the process of managing the firm. You can do this by inviting representatives of the union to sit on the management board. This is known as participative management. The chairman of Japan's Matsushita Electric Company often makes this little speech to his workers about participative management:

“Don't think I run this company. Each of you has a part to play in its management. We need the ideas, skill and knowledge of everyone to make a reservoir of wisdom for more efficient operation, better product and service quality, and effective management. We have a good future if we can work that way.”

The basic requirement for encouraging participative management is the manager's positive attitude and creation of an atmosphere which encourages free and frank exchange of views among employees and management.

Your first responsibility towards your employees' union is to acknowledge it as a friend rather than as a foe of the firm. Most problems with unions arise because of the assumption of the managers that unions have no constructive contribution to make but are interested only in playing a negative role. As a responsible manager you must understand and appreciate the fact that the management and union have a great degree of mutual dependence and the union cannot further its interests at the cost of the firm's interests and vice versa.

A responsible manager always advises their union member to go with term life insurance. Only a relationship based on mutual trust and cooperation will best serve the interests of the firm and the union. Window blinds and Roller Shades companies who are having big team size need to have good and smooth relation between manager and union.

The union represents the collective strength of all the individual workers. In dealing with the union the manager must recognize and acknowledge the bargaining power of the union arising out of its collective strength. The union will always bargain with you for the maximum benefit. As a manager you should not try to block this bargaining process but aid it by providing the union with the correct facts and figures about costs and profits and thus aim for a realistic, workable agreement which suits both the parties.

4.5.4 Responsibility towards the Industry and Competition

Healthy competition encourages firms to improve their performance and nurtures progress and it is the responsibility of each firm to ensure that the competition it indulges in is fair and ethical. Resorting to unfair practices, trying to push out other firms on the basis of political influence or financial strength may yield some short-term gains but will eventually tarnish the image of the entire industry. All your actions must be guided by concern for the stability and prosperity of the industry.

Other firms within the industry are your competitors in the market place but are your associates when you have to lobby for or represent an industry and not as individual firms. Most industries have their own associations at the local, regional, national and international level. The objectives of organizing such bodies are to protect and promote the interests of the industry, seek concessions from government and represent against any discrimination, and provide a forum for sharing and disseminating information on the latest technological and market trends.

As a manager it is your responsibility to register your firm as a member of your industry association and comply with all its rules and regulations. The information which you provide to your association must be correct so that the association can improved technology you may consider sharing it with other fellow firms.

All industry associations are voluntary bodies formed with the idea of providing support to individual firms within the industry. The onus of successfully managing

the association is on all managers of individual firm members. You must be always willing to step forward and take an active responsibility in the association. It may impinge on your already tight schedule but it is good to remember that the interests of your firm are best served when the interests of the industry as a whole are served.

4.5.5 Responsibility towards the Distributors and Retailers

The company had to absorb the increased cost of the heavier carton, but it was more than compensated by the fact that return of stock sharply declined and the distributors had no more cause for complaints. A television marketing company provides service engineers to all its outstation distributors for testing each TV before it is dispatched onwards for sale. This adds an extra cost but ensures that the distributors and retailers receive sets which are trouble-free.

The distributors and retailers who sell your products are in it for business and they must earn a fair return. Apart from the fixed percentage which you provide to your dealers, target based incentives, commissions and rewards will motivate your dealers to push your products harder. Providing support to the dealers by way of extending credit, sharing promotion cost, after sales service and help for decorating the showroom also form part of your responsibility. You must also nurture and maintain cordial relationship with all your dealers. Many companies hold regular dealer meets in an attempt to build up dealer relations for better corporate gains.

Distributors and retailers are the link between the firm and the actual customers who consume the product. In your capacity as a manager you are responsible for ensuring regular supplies to your distributors. Persistent delays in processing and supplying distributor's order can lead to a situation where the distributor eventually loses interest in your product and switches over to a competitor firm. Timely supplies have their relevance provided they are as per the order specification. Supplying spoons instead of forks, simply because forks are out of stock in the factory, is not a responsible way of dealing with your distributors.

The products that you supply to the distributor must be checked for quality to ensure that second grade or inferior quality goods are not shipped. Outer packaging of the product should protect it from damage in transit, because the dealer will return all spoilt and damaged stock which will eventually reflect negatively in your profits. A company manufacturing and marketing plastic bottles switched over from 5-ply to 7-ply cardboard carton when it started receiving complaints that the bottles were being dented and crushed out of shape in transit.

4.5.6 Responsibility towards the Suppliers

The manager's responsibility towards suppliers of funds, i.e. banks and other financial institutions is that not only he has to make the interest payments, but make the repayment on time as per the agreed repayment schedules.

By doing so the firm is not only helping the bank but also helping itself because the health of the bank will determine the health of the firm and vice versa. An added dimension of responsibility towards the banks is that the manager must provide accurate and complete information about the various facets of its business when applying for financial assistance. This will help the bank in assessing the risk and return potential of your project and determine the amount of loan it can sanction.

Advertising agencies supply creative inputs used in promoting your company's products. Since their services are not of a very tangible nature, most firms have the tendency to postpone or delay making their payment. As a responsible manager you must check against this tendency. Advertising agencies after all, run a business, like any other, and are your suppliers, and a payment delay from your end puts undue pressure on them and affects the efficiency of their operations.

Responsibility towards your suppliers emanates from the fact that their survival and growth (partly or wholly) is dependent upon your survival and growth. Suppliers provide you the raw materials, components and parts necessary for the production of your products. You are dependent upon your suppliers for regular, timely supplies of the specified quality at the agreed price. The suppliers in turn depend on you for providing correct design specification, adequate time for production, fixation of a fair price and prompt and timely payments. This two-way relationship works best when it is based on the realization of mutual dependence and one party does not try to pressurize the other for its own benefit.

Escorts Limited and Hero Cycles are examples of how firms can play a responsible role in nurturing the growth of suppliers. As these firms have grown from success to success so have their suppliers. A full-fledged bicycle ancillary industry has been established in and around Ludhiana in response to the needs of Hero Cycles and other cycle manufactures. In some cases firms may even provide the seed capital and other necessary infrastructural support to an individual to start and ancillary industry. There are numerous examples where these small ancillary industries have grown to be as successful and large as the firms to which they were originally supplying.

4.5.7 Responsibility towards the Employees

The thoughts of J.R.D. Tata, Chairman of Tata Steel, expressed in 1943 in a proposal for the creation of a personal Department in the company are noteworthy. "What are the main causes of our difficulties with our workmen? In many respects we have treated our employees exceptionally well. Our rates of pay and bonuses; our hours of work and conditions of service; the accommodation, amenities and medical care we have provided for them and their families, etc., exceeded what any other company in India had done for its employees. Normally, therefore, it would be reasonable to expect that our employees would be appreciative of the liberal treatment and generous term of employment they get at Jamshedpur. If, instead they are frequently discontented and mistrustful, and hostile towards us, I think we must assume that the fault lies with us and not with them. It is, therefore, up to us to find out where we have been at fault and then formulate the necessary corrective."

Your responsibility as a manager is also to ensure that all dealings with the employees are fair. Whether it is determining the profit linked bonus that is being calculated or the provident fund of a retired employee which has to be paid, you must ensure that the employees are not cheated, harassed or humiliated.

The fact that we still have child labor, bonded labor, workers suffering from debilitating diseases because of unhealthy, unsafe working environments speaks volumes for our collective failure to discharge managerial responsibility towards our employees.

Today we continue our discussion on responsibility towards employees. Instrumentation Limited, Tata Iron Steel Company and Hindustan Machine Tools have developed beautiful townships in Kota, Jamshedpur and Bangalore respectively with the best possible facilities and amenities for the benefit of their employees. Where the company is situated in a remote, undeveloped area, provision of housing and other facilities is necessary to attract and retain the required work-force. But in many other cases, development of such amenities is a reflection of the growing realization by companies that employees are not simply another resource for production, but are beings with emotions, desires, aspirations and have a life outside the factory too. Only a happy, satisfied human being can be a productive worker. Many firms extend their mantle of responsibility to include the employees' families too. They contribute towards education and marriage of their employees' children.

Speaking about the importance of human level personal contact with employees J.R.D. Tata laments: "One of the inherent drawbacks of modern industry, with its large and concentrated labor forces, is the difficulty of maintaining personal touch between management and employees. As a result, many petty grievances, negligible individually but substantial in the aggregate, which might have been eliminated by a friendly word or timely action, are allowed to build up a sense of discontent and frustration among the workers."

Your employees are your most important resource. Their hard work, ingenuity, loyalty and dedication are critical contributions to the success of your firm. In return, you have to ensure that you are giving them a fair deal in terms of wages and salaries, and compliance with the statutory obligation of provident fund, gratuity, insurance, bonus, etc. The wages and salaries which you give must, of course, be in accordance with other firms within your industry. Result or productivity linked bonus and incentives are a way to ensure that your employees can share in the growth and prosperity of the firm.

Apart from wages, provision of a safe, healthy environment which is conducive to work is your responsibility. There must be proper and adequate facilities such as canteen, bathrooms, first-aid room, etc. The extent and importance of these facilities will vary from one organization to another. In an administrative office with 30 employees; you do not require a full-fledged first-aid room. A small first-aid box with minimum accessories will suffice. In contrast, in a factory where the incidence of accidents is bound to be higher, a proper first-aid or emergency room with a

doctor is an essential requirement. Realizing the importance of a comfortable working environment, many progressive companies have canteens which provide transportation for employees at their own cost

4.5.8 Responsibility towards the Shareholders

The manager has to ensure that the shareholders are able to earn profit on their capital. Shareholders invest their hard earned savings in your firm with the hope that they will be able to earn more on it than if they keep the money in a bank. Money invested by a shareholder is representative of the faith they have in your competence and ability as a manager to put their money to good use and give them a satisfactory return. The onus is on you to make your firm profitable and provide regular dividends to your shareholders.

By virtue of the capital invested in your firm, shareholders are owners of your firm. As a manager you have to keep them regularly informed about all important decisions, activities and results. The balance-sheet and the annual general meeting are the usual yearly forums for such information sharing. You have to ensure that the information provided in reports and balance-sheet is correct and authentic, and does not in any way mislead the shareholders. During the annual general meeting or any other such meeting with shareholders you must encourage them to ask questions about working of the firm and also provide ideas for improvement, and not threaten or intimidate them in any manner.

Stockholders are granted special privileges depending on the class of stock, including the right to vote (usually one vote per share owned, but sometimes this is not the case) on matters such as elections to the board of directors, the right to propose shareholder resolutions, the right to share in distributions of the company's income, the right to purchase new shares issued by the company, and the right to a company's assets during a liquidation of the company.

Except in the case of a proprietorship firm where the capital is fully contributed by the proprietor, in all other companies, capital is collected from a variety of sources. The sources may be friends and relatives of the owners, financial institution and, in case of public limited companies, individual members of the public. All those people who contribute capital to firm are known as its shareholders.

The prime responsibility of the manager is to ensure the security of the shareholders' capital. The manager must ensure that the firm does not become bankrupt or it is faced with a situation where the shareholders' capital is endangered. In other words, the manager must, at least, ensure the survival of the firm.

4.5.9 Responsibility towards the Customers

As a manager the concern person himself also responsible for ensuring that the dealers of retailers through whom they sell their product provide the correct information about the product to the customers, charge the correct price, sell the correct weight or amount (if your product sold loose) and provide the proper after sales support. A dealer who cheats on any one of these accounts is spoiling the

image of your product and company and you should discard such dealers immediately.

Often firms, in their anxiety to make a success of a new product, make very tall claims about the potential benefits of their product. Such a promotional effort may create a short-term effect but can never provide a long-term stability. In India, there is a tendency on the part of many firms to bolster the image of their products by making claims far from the truth primarily because many customers are not in a position to challenge such claims either through a voluntary or legal framework. In the absence of pressure from consumers, it becomes the responsibility of the manager to promote the products only on the basis of real and not imaginary benefits.

Finally, there are always some product or service concepts the consumption of which is viewed to be unethical. For instance a private medical clinic promoting the concept of determining the sex of a foetus, knowing full well that there is a distinct preference for a male child in most families, is certainly promoting an unethical service. Therefore, in terms of responsibility towards customer, the management of a firm should always, aim at marketing the right product, at the right price and of the right quality.

It is the responsibility of the manager to provide the right match between quality and price. This relationship of quality and price is very important. Japan's economic recovery and rise to the position of world's number one position in electronics and automobiles is the result of its winning combination of best quality which competitors can't match and at process which competitors can't beat.

Products manufactured by reputed companies carry stickers saying 'checked for quality control', 'tested', 'O.K.'. Over a period of time the customer starts associating certain level or connotation of quality with particular companies and their brand names. If, however, your products do not enjoy this kind of quality association, you can have the quality ascertained by government bodies such as the Indian Standards Institution which puts its ISI mark of approval on your product after testing for adherence to minimum quality standards. Getting such certifications will go a long way in building the customer's confidence in your products.

Having ensured the desired quality of your product, and fixed a reasonable price for it, your next responsibility is to ensure that your product is easily and conveniently available to your customers. Unless you happen to be marketing a product in which your company enjoys a monopoly and no substitute is easily available, persistent non-availability of your product will lead your customers to switch over to the best available substitute

4.6 Summary

To sum up, the specific tasks which a manager has to perform flow out of his or her job description. The tasks may vary depending upon the managerial level,

function and industry to which the manager belongs. In this Unit we have discussed an exhaustive list of tasks which every manager has to perform. It is possible that you may not be performing all the tasks described here but confining yourself to only a few. Also, some tasks may be of greater importance than others.

4.7 Glossary

- **Mission** : Mission of a firm defines the very purpose and justification for a firm's existence. It is always described in terms of the benefits which a firm provide to the customer and not in any physical terms. in any physical terms.
- **Multinational corporations**: Commercial organisation with manufacturing and marketing facilities in or company more than one country.
- **Obsolescence** : The process of becoming obsolete, i.e. going out of use, or going out of date.
- **Public sector** : A commercial organisation owned and managed by the state.
- **Top management** : That level of managers which is concerned with defining the mission and objectives of the firm, and designing strategy to achieve them

4.8 References/Suggested Readings

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4.9 Question Bank

1. What do you understand by the term “professional”. How is it applicable in the terms of management?
2. What are the different tasks undertaken by a professional manager.

3. What roles need to be fulfilled by a professional manager? How they differ from the tasks performed by them.
4. Enlist the various responsibilities endowed by a professional manager.

UNIT 5: PLANNING- CONCEPT, PROCESS AND TYPES OF PLANNING

Structure

- 5.1 Introduction
- 5.2 Objectives
- 5.3 Planning
 - 5.3.1 Planning Concept, Meaning and Definitions
 - 5.3.2 Features of Planning



- 5.3.3 Planning Process
- 5.3.4 Advantages/importance of Planning
- 5.3.5 Types of Planning
- 5.3.6 Barriers and Measures to Effective Planning
- 5.3.7 Planning as Forecasting- Comparison and Importance
- 5.3.8 Planning as Strategy and Business Policy
- 5.4 Conclusion
- 5.5 References
- 5.6 Progress Review
- 5.7 Exercise



5.1 Introduction

Planning is the primary function of management. It focuses on the future course of action. It specifies the objectives to be achieved in future and selects the alternative course of action to reach defined objectives. It also involves many activities like analyzing and decision making about technical, personnel, financial, and other elements essential to implement predetermined course of action. Thus, planning is mental and paper activities which look ahead for drawing the future course of action.

In other words, planning is intellectual process which is concerned with deciding in advance what, when, why, how, and who shall do the work. Generally, manager defines goals and takes necessary steps to ensure that these goals can be achieved in efficient manner. Planning reflects vision, foresight and wisdom. Thus, it is the blue print of action and operation.

5.2 Objectives

The objectives of this unit are:

- To understand the concept of Planning
- To understand the managerial process of Planning
- To introduces the various types of planning and
- To develop insight into the concept of planning and forecasting

5.3 Planning

5.3.1 Planning – Concept, Meaning and Definition

The basic management functions are classified as planning, organizing, staffing, directing and controlling. All these functions are basically made to achieve the objectives of any organisation. For achieving these objectives organisations has to plan accordingly. Planning thus, means having a view of the future and deciding in advance where organisations would like to be and what is to be done in order to reach there. Planning starts with the definition of the objectives and the formulation of the specific goals or targets to be achieved. Goals are derived from the analysis of existing situation of an organisation and once defined provide a sense of direction to all managerial activities. In order to achieve the goals, specific plans are drawn up. A plan is a commitment to a particular course of action believed necessary to achieve specific results. For example, Government of India prepares Five-Year plans which consist of various actions to be taken, results to be achieved and resources to be used. These are plans. The plans are prepared through the process of planning which comprised of various activities to be achieved in the near future by the organisations.

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.

Meaning and Definitions of Planning

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

- According to Alford and Beatt, "Planning is the thinking process, the organized foresight, the vision based on fact and experience that is required for intelligent action."
- According to Theo Haimann, "Planning is deciding in advance what is to be done. When a manager plans, he projects a course of action for further

attempting to achieve a consistent co-ordinate structure of operations aimed at the desired results.

- According to Billy E. Goetz, "Planning is fundamentally choosing and a planning problem arises when an alternative course of action is discovered."
- According to Koontz and O' Donnell, "Planning is an intellectual process, conscious determination of course of action, the basing of decision on purpose, facts and considered estimates."
- According to Allen, "A plan is a trap laid to capture the future."
- According to Terry " Planning is the selection and relating of facts and making and using of assumptions regarding the future in the visualizations and formalization of proposed activities believed necessary to achieve desired result."
- According to McFarland "Planning may be broadly defined as a concept of executive action that embodies the skills of anticipating, influencing and controlling the nature and direction of change."

Thus, from the above definitions, we may come into conclusion that planning is predetermination of objectives and intellectual course of action to be taken to achieved defined goal effectively and on time. Generally, planning involves the following elements;

1. Establishment of organizational objectives and policies.
2. Identification of alternative courses of action and programs
3. Selecting the best course of action and programme.

5.3.2 Features of Planning

From the above definitions, following features can be identified:

1. Planning is the process rather than behaviour at a given point of time. This process determines the future course of actions.
2. Planning is primarily concerned with looking into future. It requires forecasting of future situation in which the organisations has to function. Therefore, correct forecasting of future situation leads to correct decisions about future course of actions.
3. Planning involves selection of suitable course of actions. This means that there are several alternatives for achieving a particular objective or set of objectives. However, all of them are not equally feasible and suitable for the organisation.
4. Planning is undertaken at all the levels of the organisation because all levels of management are concerned with the determination of future course of actions. However, its role increases at successively higher levels of management. Moreover, planning at different levels may be different in the context that at the top management level, manager are concerned about the totality of the organisation and tries to relate it with the environment while managers at lower levels may be involved in internal planning.

5. Planning is flexible as commitment is based on future conditions which are always dynamic. As such, an adjustment is needed between the various factors and planning.
 6. Planning is a pervasive and continuous managerial function involving complex processes of perception, analysis, conceptual thought, communication, decisions and actions. The very pervasiveness of these planning elements makes it difficult to identify and observe them in detail.
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5.3.3 Planning Process

Planning process involves the following steps:

1. Being aware of opportunities

Although it precedes actual planning and is therefore not strictly a part of the planning process, an awareness of opportunities in the external environment as well as within the organisation is the real starting point for planning. All managers should take a preliminary look at possible future opportunities and see them clearly and completely, know where their company stands in light of its strengths and weaknesses, understand what problems it has to solve and why, and know what it can expect to gain. Settling realistic objectives depends on this awareness. Planning requires a realistic diagnosis of the opportunity situation.

2. Establishing objectives

The second step in planning is to establish objectives for the entire organisation and then for each subordinate work unit. This is to be done for the long term as well as for the short range. Objectives specify the expected results and indicate the end points of what is to be done, where the primary emphasis is to be placed and what is to be accompanied by the network of strategies, policies, procedure, rules, budgets and programs.

3. Developing Premises

The next logical step in planning is to establish, circulate and obtain agreement to utilize critical planning premises such as forecasts, applicable basic policies and existing company plans. Premises are assumptions about the environment in which the plan is to be carried out. It is important for all the managers involved in planning to agree on the premises. In fact, the major principle of planning premises is the more thoroughly individuals charged with planning understand and agree to utilize consistent planning premises, the more coordinated organisation planning will be.

4. Determining Alternative Courses

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

The more common problem is not finding alternatives but reducing the number of alternatives so that the most promising may be analysed. Even with mathematical techniques and the computer, there is a limit to the number of alternatives that can be thoroughly examined. The planners must usually make a preliminary examination to discover the most fruitful possibilities.

5. Evaluating Alternative Courses

The next step after seeking out alternative courses and examining their strong and weak points is to evaluate the alternatives by weighing them in light of premises and goals. One course may appear to be the most profitable but may require large cash outlay and have a slow payback, another may look less profitable but may involve less risk, and still another may better suit the company's long range objectives. There are so many alternative courses in most situations and so many variables and limitations to be considered that evaluation can be exceedingly difficult.

6. Selecting a course

At this point, plan is adopted and is considered to be real point of decision making. Occasionally, an analysis and evaluation of alternatives courses will disclose that two or more advisable and the manager may decide to follow several courses rather than the one best course.

7. Formulating Derivative Plans

After decision has been made, planning is seldom complete and a seventh step is indicated. Derivatives plans are almost invariably required to support the basic plan.

8. Quantifying Plan by Budgeting

After decisions are made and plans are set, the final step in giving them meaning, as was indicated in the discussion on types of plans, is to quantify them by converting them into budgets. The overall budget of an organisation represents the sum total of income and expenses, with resultant profit or surplus and the budgets of major balance sheet items such as cash and capital expenditures. Each department or program of a business or some other organisation can have its own budget, usually of expenses and capital expenditure, which tie into the overall budget. If done well, budgets become a means of adding the various plans and set important standards against which planning process can be measured.

5.3.4 Advantages / Importance of Planning

Planning is the foundation of the organization. It is the primary function of management which clearly defines the organizational objectives and line of action. The quality of planning is important for successful operation of the organization. The following points clarify the importance of planning in the organization:

Advantages of Planning



- Goal Focus
- Minimize Uncertainty
- Improve efficiency
- Innovation and Creativity
- Facilitates to Control
- Better Coordination
- Ensures Commitment
- Aid to Business Success
- Brings Systematization

i. **Goal Focus:** Planning helps to focus the attention of the managers and subordinates towards organizational objectives. It predetermines the objectives and defines line of action to complete the work. Management of any organization is formed to attain defined objectives. Thus, good management is the management by objectives. Planning facilitates to make management by objectives. It serves as the blue print of the course of action and eliminates the unnecessary and useless activities. It focuses to priorities and facilitates to take right decision at the right time.

ii. **Minimize uncertainties:** Planning is one of the important tools to forecast and anticipate future uncertainties and risks. The management has to work in an environment which is uncertain and ever changing. The change in environment may occur due to economic, social, political and technological changes. Planning helps an enterprise to make study about future challenges and uncertainties which may arise in the future course of action. Thus, it helps management to face future with greater strength and confidence. The systematic and practical planning provides guidelines to the management to complete the work in efficient manner.

iii. **Improve efficiency:** One of the parts of planning is to select a best course of action by evaluating many alternatives. While selecting a course of action, the benefit of the organization is taken into consideration. It also provides guidelines and procedures to complete the work. It also helps for the optimum utilization of resources, avoiding wasteful efforts and money and minimizing wastage. Besides, it also avoids the concept of trial and error or hit and misses and defines a clear line of action. The selection of best course of action, definition of clear line of action and optimum utilization of resources contribute to improve overall working efficiency of the organization.

iv. **Facilitates to control:** Planning is the basis of control. It defines the minimum standard of work to be achieved and time to complete the job. It is helpful to compare the actual performance achieved with that of predetermined or standard fixed. The manager evaluates the actual achievement of work interval of time. This is helpful to identify the deviation, if any, between actual and planned performances. In case any deviation is there, the management can take necessary

steps so that defined work can be completed in given time. Thus, planning makes control meaningful and effective.

v. **Innovation and creativity:** Planning encourages innovative thought and creative action among the managers. An effective planning encourages managers to think about new knowledge, idea, procedures, technique and strategy for the completion of work. It also helps to create new modified course of action. This is essential for the growth and expansion of working areas of the business. It contributes to motivate and develop moral among the employees. It is also helpful to maintain up-to-date position in business operation and face business complexity. Thus, planning is the base of management. The managers innovate and create new strategy to complete the predetermined work in this ever-changing environment.

VI **Better Coordination:** Planning plays an important role to facilitate better coordination among all the authorities and units of the organization. It clearly defines in advance what, when, and by whom the work should be done. For this purpose, it clarifies the authority and responsibility of each and every employee from top level of the organization. This is helpful to harmonize the relationship between all employees and develop feeling of team spirit or group work among them. In absence of proper planning of interrelated units, it is difficult to accomplish goal and there is possibility of wastage of resources. Thus, planning is the primary instrument to facilitate better coordination in the organization.

Vii **Ensure Commitment:** Planning ensures commitment of the management towards organizational goal. It set the feelings of responsibility of managers. It facilitates to convert individual goals to organizational objectives. It clearly defines authority and responsibility of each and every authority. No one can avoid or divert his responsibility to others. Planning also develops the sense of team spirit and group work.

Viii **Aid to Business System** : Planning is the initial tool to business success. It plays a key role for the successful operation of the business. It helps to select the best course of action among many alternatives and defines clear line of action. Besides, it brings unity in action, minimizes cost and effort and coordinates among all the members of the organization. Ultimately, it helps to develop working efficiency and to achieve predetermined goals in an effective way. Thus, planning is the best for the successful operation of business activities. It is known as the key to business activities.

Ix **Brings Systemization:** Planning contributes to develop a system and uniformity in organizational performance. It clearly defines authority and responsibility of each and every employee from upper to subordinate levels. It integrates and unites all the possible efforts of the organization. It avoids random activity and the concept of trial and error. It provides order rationality to the organization. It brings maturity in decision and makes simplification on its implementation. It brings coordination to complete the work in systematic and efficient manner and ultimately helps to minimize time and cost.

Therefore, planning is essential function for the successful completion of organizational performances so that it can adjust itself in this competitive and ever changing environment of the society. It plays an important role to maintain unity in action and coordination among all the units and employees, improve productivity, maintain effective control and develop overall working efficiency of the business.

5.3.5 Types of Planning

There are number of ways by which an organisation can undergo the process of planning although the steps remain the same. The various types of Planning are as following:

1. Corporate planning

The term 'corporate planning' denotes planning activities at the top level, also known as corporate level, which cover the entire organisational activities. The basic focus of corporate planning is to determine the long-term objectives of the organisation as a whole, and then to generate plans to achieve these objectives bearing in mind the probable changes in environment. Because of long-term orientation involved and strategic aspects covered in corporate planning, it is also used as synonymous to long-term planning or strategic planning. According to David hussey corporate planning may includes the setting of objectives, organizing the work, people and systems to enable those objectives to be attained, motivating through the planning process and through the plans, measuring performance and so controlling progress of the plan and developing people through better decision making, clearer objectives, more involvement and awareness of progress.

2. Functional planning

As against corporate planning which is integrative, functional planning is segmental and it is undertaken for each major function of the organisation like production/operation, marketing, finance, human resource etc. at the second level, functional planning is undertaken for sub-functions within each major function. A basic feature of functional planning is that it is derived out of corporate planning and therefore, it should contribute to the latter. This contribution is achieved by integrating and coordinating functional planning with corporate planning.

3. Strategic planning

Strategic planning sets the long-term direction of the organisation in which it wants to proceed in future. Anthony has defined Strategic planning is the process of deciding on objectives of the organisation, on changes on these objectives, on the resources used to attain these objectives and on the policies that are to govern the acquisition, use and disposition of these resources.

4. Operational planning

Operational planning also known as tactical or short term planning, usually covers one year or so. It is aimed at substituting the organisation in its production and distribution of current products and services to the existing markets. Thus,

operational planning may be defined as the process of deciding the most effective use of the resources already allocated and to develop a control mechanism to assure effective implementation of the actions so that organisational objectives are achieved.

5. Long term planning

Long term planning is of strategic nature and involves more than one-year period extending to twenty years or so. However, the more common long term period is 3 to 5 years. The long term plans usually encompass all the functional areas of the business and are affected within the existing and long term framework of economic, social and technological factors. Long-term plans also involve the analysis of environmental factors, particularly with respect to how the organisation relates to its competition and environment. Sometimes, basic changes in organisation structure and activities become the real output of such plans.

6. Short term planning

Short term planning, also known as operational or tactical planning, usually covers one year. These are aimed at sustaining organisation in its production and distribution of current products or services to the existing markets. These plans directly affect functional groups- production, marketing, finance etc. within its time dimensions.

7. Proactive planning

Proactive planning involves designing suitable courses of action in anticipation of likely changes in the relevant environment. Organisations that use proactive planning use broad planning approaches, broad environmental scanning, decentralized control and reserve some resources to be utilized for their future use. These organisations do not wait for environment to change but take actions in advance of environmental change. Most of the successful organisations, generally, adopt proactive approach in planning.

8. Reactive planning

In reactive planning, organisations responses come after the environmental changes have taken place. After the changes take place, these organisations start planning. In such a situation, the organisations lose opportunities to those organisations which adopt proactive approach because by the time, reactors are ready with their plans, the contextual variables of planning show further changes. Therefore, their plans do not remain valid in the changed situations. This approach of planning is useful in an environment which is fairly stable over a long period of time.

9. Formal planning

Formal planning is in the form of well structured process involving different steps. Generally, large organisations undertake planning in formal way in which they create separate corporate planning cell placed at sufficiently high in the organisation. Generally, such cells are staffed by people with different

backgrounds like engineers, statisticians, economists etc., depending on the nature of organization's business. These cells monitor the external environment on continuous basis. When any event in the environment shows some change, the cells go for the detailed study of the impact of the event and suggest suitable measures to take the advantages of the changing environment. The planning process that is adopted is rational, systematic, well-documented and regular.

10. Informal planning

As against formal planning, informal planning is undertaken, generally by smaller organisations. The planning process is based on managers' memory of events, intuitions and gut-feelings rather than based on systematic evaluation of environmental happenings. Usually, the corporate planning affairs are not entrusted to any single cell or department but become the part of managers' regular activities. Since, the environment for smaller organisations is not complex; they do reasonably well with informal planning process.

5.3.6 Barriers and Measures to Effective Planning

Barriers

Planning as a management function is essential to every manager and every organisation but there are some practical problems in proper planning. The major barriers to effective planning are as follows:

1. Difficulty of accurate premising

Planning exercise is under taken under certain assumptions of future events which are determined by a large number of factors in the environment. Thus, a limiting factor in planning is the difficulty of formulating accurate premises. Since the future cannot be known with accuracy, premising is subject to a margin of error. Though this margin of error can be minimized by making suitable forecasting of future events.

2. Problems of Rapid Change

Another problem which is related to the external environment is the rapid change which takes place in the environment. In a complex and rapidly changing environment, complications that make planning extremely difficult often magnify the succession of new problems. The problem of change is more complex in long range planning than in short range planning. Present conditions tend to weigh heavily in planning, and by overshadowing future needs may some times result in error of judgement. In rapidly changing conditions planning activities taken in one period may not be relevant for other period because the conditions in two periods are quite different.

3. Internal Inflexibilities

Managers while going through the planning process have to work in a set of given variables. These variables often provide less flexibility in planning which is needed to cope up with the changes in future events. Such inflexibilities may be either

internal to the organisation or may lie outside. The major internal inflexibilities are psychological, policies and procedures, and capital investment.

4. External Inflexibilities

Besides the internal inflexibilities, managers are confronted with much external inflexibility and they do not have control over these. For example managers have little or no control over social, social, economic, technological and political forces. Whether these changes quickly or slowly, they do stand in the way of effective planning. Three environmental factors generate inflexibilities for an organisational planning are- political climate, trade unions and technological changes.

5. Time and cost factors

Planning process is quite a costly and time-consuming process. The various steps of planning may go as possible because there is no limit of precision in planning tools. Managers can spend unlimited amounts of time in forecasting, evaluating alternative, developing supporting plans or attending other aspects of planning, if they do not have limitations of time and money. Planning process suffers because of time and cost factors. Time is a limiting factor for every manager in the organisation. If managers are busy in preparing elaborate reports and instructions beyond certain level, they are risking their effectiveness. Excessive time spent on securing information and trying to fit all of it into a compact plan is dysfunctional in the organisation.

6. Failure of People in planning

Apart from the above factors, something, people involved in planning process fail to formulate correct plans. There are many reasons why people fail in planning at the formulation level as well as implementation level. Some of the major reasons for failure are lack of commitment to planning, failure to formulate sound strategies, lack of clear and meaningful objectives, tendency to overlook planning premises, failure to see the scope of plan, failure to see planning as a rational approach, excessive reliance on the past experience, lack of top management support, lack of delegation of authority, lack of adequate control techniques etc. These personnel factors are responsible for either inadequate planning or wrong planning in the organisation.

Measures

Following are the measures to be taken to make planning effective:

1. Establishing climate for planning

Managers should create a climate where every person in the organisation takes planning action. Every superior manager should remove obstacles to planning and present facilities for planning. This can be done by setting goals, establishing and communicating planning premises, involving all managers in planning process, reviewing subordinates' plans and their performance and ensuring that managers have appropriate staff assistance and information.

2. Initiative at top level

Planning to be effective must originate at top level. It must be supported by top management. In fact, in any organisation, the role of top management in planning is quite unique and important. It is the top management which is responsible for the success or failure of any organisational process and planning is no exception. For planning process, basic goals from which plans stem must be organisation wide and therefore goals must be set at the top management level.

3. Participation in planning process

No doubt, top management can initiate planning process by providing goals and planning premises, effective planning can take place by the participation of subordinate managers. The best planning is likely to be done when managers are given opportunities to contribute to plans affecting areas over which they have authority. Participation in planning affecting managers areas of authority at all levels through their being informed, contributing suggestions and being consulted leads to their commitment, loyalty to planning and enthusiasm to implement the plan.

4. Communication of planning elements

Many planning efforts fail because managers do not really understand their goals and other planning premises which affect their planning efforts. Similarly, lack of proper understanding of organisational policies and strategies affects planning, particularly at the lower levels. In order to avoid this impediment, it is highly desirable that these aspects of planning are communicated properly.

5. Integration of long-term and short-term plans

To be effective, it is necessary that both long-term and short-term plans are fully integrated in which short-term plans should be taken as contributing to long-term plans. If managers emphasis only short-term plans can best be integrated if the later is prepared in the light of the former. Similarly, if the long-term plans are prepared keeping in view what the organisation can implement by way of its short-term plans, coordination between the two can be achieved.

6. An open system approach

Planning can be made effective by taking it as an open system approach. It suggests that managers must take into account interactions with their total environment in every aspect of planning. Objectives, a starting point in planning, should be set taking into account the various environmental forces. Planning premises represent a clear recognition that plans cannot be constructed in the vacuum of an internal system. The interfaces and interactions of plans with every element of the conditions and recognised in the planning process. Therefore, it should not be taken as simple process, but the process of many interactions and influences.

5.3.7 Planning as Forecasting – Comparison and Importance

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. Thus, the past and present analysis of events provides information about their future occurrence. Since, forecasting may require the use of various statistical techniques; some persons equate this analysis with statistical analysis.

According to Neter and Wasserman, "Business forecasting refers to the statistical analysis of the past and current movement in the given time series so as to obtain clues about the future pattern of those movements."

On the basis of the given definition following features of forecasting can be identified:

1. Forecasting relates to future events. This is needed for planning process because it devises future course of action.
2. Forecasting defines the probability of happening of future events. Therefore, happening of future events can be precise only to a certain extent.
3. Forecasting is made by analysis the past and present relevant events that is taking those factors which are relevant for the functioning of an organisation.
4. The analysis of various factors may require the use of various statistical tools and techniques. However, personal observations can also help in the process.

Importance of Forecasting

Every decision in the organisation is based on some sort of forecasting. It helps management in the following ways:

1. Promotion of organisation:

An organisation is established in order to achieve certain objective which can be achieved by performance of certain activities. What activities should be performed depends on the expected outcome of these activities. Since expected outcome depends on future events and the way in which an activity is being performed, forecasting of future events and the way in which an activity is being performed, forecasting of future events is of direct relevance in achieving an objective.

2. Key to planning

Forecasting is an essential ingredient of planning. It is key to planning process. Planning decides the future course of action. However, these future courses of action do not take place in vacuum but in certain circumstances in conditions. Unless the manager knows this condition, they cannot go for effective planning or even planning at all. Forecasting generates the planning process. It provides the knowledge of planning premises with in which manager can analyze their strengths and weaknesses and can take appropriate actions in advance before actually they are put out of market. Forecasting provides the knowledge about the nature of future conditions.

3. Coordination and control

Forecasting provides the way for effective coordination and control, though indirectly. Forecasting requires information about various external and internal factors. The information is collected from various internal sources besides the

external sources. Thus, almost all units of the organisation are involved in this process which provides interactive opportunities for better unity and coordination in the planning process. Similarly, Forecasting can provide relevant information for exercising control. The managers can know their weaknesses in Forecasting process and they can take suitable actions to overcome these.

4. Success in organisation

All business organisations are characterised by risk and have to work within the ups and downs of the industry. In fact, profit is the reward for bearing risk and working under uncertainties. The risk depends on the future happening and Forecasting provides help to overcome the problems of uncertainty. Though forecasting does not check the future happenings, it provides clues about those and indicates when the alternative action should be taken. Managers can save their business and face the unfortunate happenings if they know in advance what is going to happen. The business can be saved from the impact of trade cycles. A manager can just work like a navigator. A navigator cannot control the sea tides and other disturbances but he can take his ship at the right path and can save it from these disturbances if he knows them in advance.

Comparison between Planning and Forecasting

Planning and forecasting can be equated as both of these deals with the future phenomena. However, both are different and clear-cut difference can be drawn between the two. The difference lies basically in the scope of two processes. Planning is more comprehensive which includes many sub-processes and elements in order to arrive at decisions. Such, decisions may be in terms of what is to be done, how to be done, and when to be done. Commitment of actions is the basic ingredients of planning. Forecasting, on the other hand, involves the estimation of future events and provides parameters to the planning. Forecasting process may also involve many sub-processes and elements but these are used to project what will happen in future. This may not require any commitment of action but may help in planning the future course of action. In fact, forecasting is one of the major ingredients of planning process because planning involves determination of future course of action in the light of forecast made.

Since, planning involves making comprehensive decisions in the organisation which will determine where the organisation would like to go, a large number of persons are involved in planning process, though major decisions are made at the top level. Forecasting is normally taken at middle or lower level. The work may be entrusted to staff positions which may help in arriving at planning decisions. Forecasting does not involve decision making but helps decision making by providing clue about what is likely to happen in future. Therefore, forecasting activity can be taken by those persons who may not affect whole of the organisation or its major portion by their decisions.

5.3.8 Planning as Strategy and Business Policy

Strategy is meant to fill in the need of organizations for a sense of dynamic direction, focus and cohesiveness .Objectives alone do not fill in the need of

organization. Strategy provides an integrated framework for the top management to search for evaluation of opportunities, to perceive and meet threats and crises to make full use of resources to make major decision.

Strategy may be defined as long range blueprint of an organization's desired image, direction and destination what it wants to be, what it wants to do and where it wants to go.

The concept of strategy is ancient. The word itself comes from the Greek *Strategoia*, which means the art or science of being general. The connection that managers today make between business and strategy is a relatively recent one. Only since World War II has emerged that strategic planning and acting on those plans constitute a separate management process- the process we call Strategic management.

Strategic management provides a disciplined way for managers to make sense of the environment in which their organization operates, and then to act.

Stages in formulation of strategy

A number of framework have been developed for identification the major strategic alternatives that organization should consider when choosing their business – level strategies.

The several stages involved in formulating a strategy .

1. Determination of corporation vision, mission, and purpose
2. External environmental appraisal
3. Internal environmental appraisal
4. Gap analysis
5. Strategic search
6. SWOT analysis

5.4 Conclusion

Planning consists of several individual plans. Objectives are goals or aims which management wishes the organisation to achieve. In the traditional approach, objectives are the basic components of plans and a programme is a precise plan which helps to chalk out the dimensions of policies, rules, procedures, methods, schedules, standards which are formed to accomplish the basic objectives or goals. Hence, plans should be based on clearly defined objectives which must be simple, rational, comprehensive, and flexible, balanced and must be free from biases.

5.5 Reference

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5.6 Progress Review:

Objectives and Fill in the blanks:

1. _____ is the process involves the determination of future course of actions.
2. Planning process is _____ as commitment is based on future conditions which are always_____.
3. One of the major elements of planning process is
 - a. developing leadership qualities
 - b. selecting right personnel
 - c. perception of opportunities

- d. designing organisation structure
4. Pervasiveness of planning indicates that planning
- a. extends throughout the organisation
 - b. is a top management function
 - c. is the first element of managerial process
 - d. is future-oriented activity
5. Strategic planning differs from operational planning as strategic planning focuses on
- a. future course of action
 - b. long-term perspective
 - c. short-term perspective
 - d. single-use plans
6. Tactical planning is also known as
- a. Strategic planning
 - b. operational planning
 - c. corporate planning
 - d. proactive planning
7. Which one of the following is a feature of good plan?
- a. Consistency
 - b. Highly ambitious targets
 - c. formulated by all persons
 - d. rigid targets
8. Which one of the following element is not a limitation to effective planning?
- a. rapid environmental changes
 - b. inadequate appreciation of planning
 - c. organisational inflexibility

d. social responsibility

Keys

1. Planning
2. Flexible, Dynamic
3. d
4. b
5. b
6. a
7. d
8. c

5.7 Exercises

1. What is the concept of planning as an element of management process? Discuss its role in present- day business organisations.
2. What are the various steps of planning process? Explain in detail.
3. Discuss the importance of planning in the day to day business organisations.
4. Discuss the nature of planning as a rational process and as an open system approach. How can be planning considered as pervasive?
5. How is long-term planning differing from that of short-term planning? How can be both coordinated?
6. What are the various factors that act as barrier to effective planning?
7. What are the essential features of a good plan? How can planning be made effective?
8. How can various organisational plans be arranged in a hierarchy? How do standing plans differ from single-use plans?



UNIT 6: ORGANIZATIONAL STRUCTURES AND DEPARTMENTATION

Structure

- 6.1 Introduction To Organizational Structures And Departmentation
- 6.2 Organizational Structure
 - 6.2.1. Organizational Structure: Conceptual Framework
 - 6.2.2. Types of Organization Structure
 - 6.2.3. Factors Affecting Organization Structure
 - 6.2.4. Elements of Organization Structure
- 6.3 Departmentation
 - 6.3.1 Departmentation: concept, meaning and definition
 - 6.3.2 Need and Importance of Departmentation
 - 6.3.3 Forms of departmentation



6.3.4 Factors effecting departmentation

6.4 Conclusion

6.5 References

6.6 Progress Review

6.7 Exercises

6.1 Introduction to Organizational Structures and Departmentation

Organization is the foundation upon which the whole structure of management is built. Organization is related with developing a frame work where the total work is divided into manageable components in order to facilitate the achievement of objectives or goals. Thus, organization is the structure or mechanism that enables living things to work together. In a static sense, an organization is a structure or machinery manned by group of individuals who are working together towards a common goal. Simultaneously, in dynamism an ideal organization is a reality which can be achieved through the active cooperation of all the members of an organization and also by following the principles of departmentation , wherein, departmentation is aprocess of defining the activities and authority of jobs. The total task of the organization is broken down into small activities and combining the divided task into groups and departments on certain basis viz. functional, territorial or any other. An organization conceived and developed on the above lines will reward its leaders and well as its members (Personnel). Not only will the objectives be achieved more easily, and conveniently, but the physical operation of the organization will also be greatly enhanced. The well-known industrialist of U.S.A. late Andrew Cannegi, when sold his famous 'United State Steel Corporation', showed his confidence in organization by uttering the following words, "Take away our factories, take away our trade, our avenues of transportation, our money, leave nothing but our organization, and in four years, we shall re-established ourselves." Since ages and in every walk of life, organization has been playing a vital role of relationship, as a group of persons and as a system.

6.2 Organizational Structure

6.2.1 Organizational Structure: Conceptual Framework

An organizational structure consists of activities such as task allocation, coordination and supervision, which are directed towards the achievement of organizational aims. The structure of an organization will determine the modes in which it operates and performs. Organizational structure allows the expressed allocation of responsibilities for different functions and processes to different entities such as the branch, department, workgroup and individual. Organizational structure affects organizational action in two big ways. First, it provides the foundation on which standard operating procedures and routines rest. Second, it determines which individuals get to participate in which decision-making processes, and thus to what extent their views shape the organization's actions.

The set organizational structure may not coincide with facts, evolving in operational action. Such divergence decreases performance, when growing. E.g., a wrong organizational structure may hamper cooperation and thus hinder the completion of orders in due time and within limits of resources and budgets. Organizational structures shall be adaptive to process requirements, aiming to optimize the ratio of effort and input to output. Organizational structures developed from the ancient times of hunters and collectors in tribal organizations through highly royal and clerical power structures to industrial structures and today's post-industrial structures.

As pointed out by Mohr, the early theorists of organizational structure, Taylor, Fayol, and Weber "saw the importance of structure for effectiveness and efficiency and assumed without the slightest question that whatever structure was needed, people could fashion accordingly. Organizational structure was considered a matter of choice... When in the 1930s, the rebellion began that came to be known as human relations theory, there was still not a denial of the idea of structure as an artifact, but rather an advocacy of the creation of a different sort of structure, one in which the needs, knowledge, and opinions of employees might be given greater recognition." However, a different view arose in the 1960s, suggesting that the organizational structure is "an externally caused phenomenon, an outcome rather than an artifact." In the 21st century, organizational theorists such as Lim, Griffiths, and Sambrook (2010) are once again proposing that organizational structure development is very much dependent on the expression of the strategies and behavior of the management and the workers as constrained by the power distribution between them, and influenced by their environment and the outcome.

In the words of Kast and Rosenzweig, "structure is the established pattern of relationships among the component parts of the organization". In this sense, Organization structure refers to the network of relationships among individuals and positions in an Organization.

Structure is thus an integral component of the organization. Nystrom and Starbuck (1981) have defined structure as the arrangement and interrelationship of component parts and positions in an organization. It provides guidelines on:

- division of work into activities;
- linkage between different functions;
- hierarchy;
- authority structure;
- authority relationships; and
- coordination with the environment.

Organizational structure may differ within the same organization according to the particular requirements. Structure in an organization has three components (Robbins, 1989):

- Complexity, referring to the degree to which activities within the organization are differentiated. This differentiation has three dimensions:

- horizontal differentiation refers to the degree of differentiation between units based on the orientation of members, the nature of tasks they perform and their education and training,
- vertical differentiation is characterized by the number of hierarchical levels in the organization, and
- spatial differentiation is the degree to which the location of the organization's offices, facilities and personnel are geographically distributed;
- Formalization refers to the extent to which jobs within the organization are specialized. The degree of formalization can vary widely between and within organizations;
- Centralization refers to the degree to which decision making is concentrated at one point in the organization.

Designing organizational structures

Some important considerations in designing an effective organizational structure are:

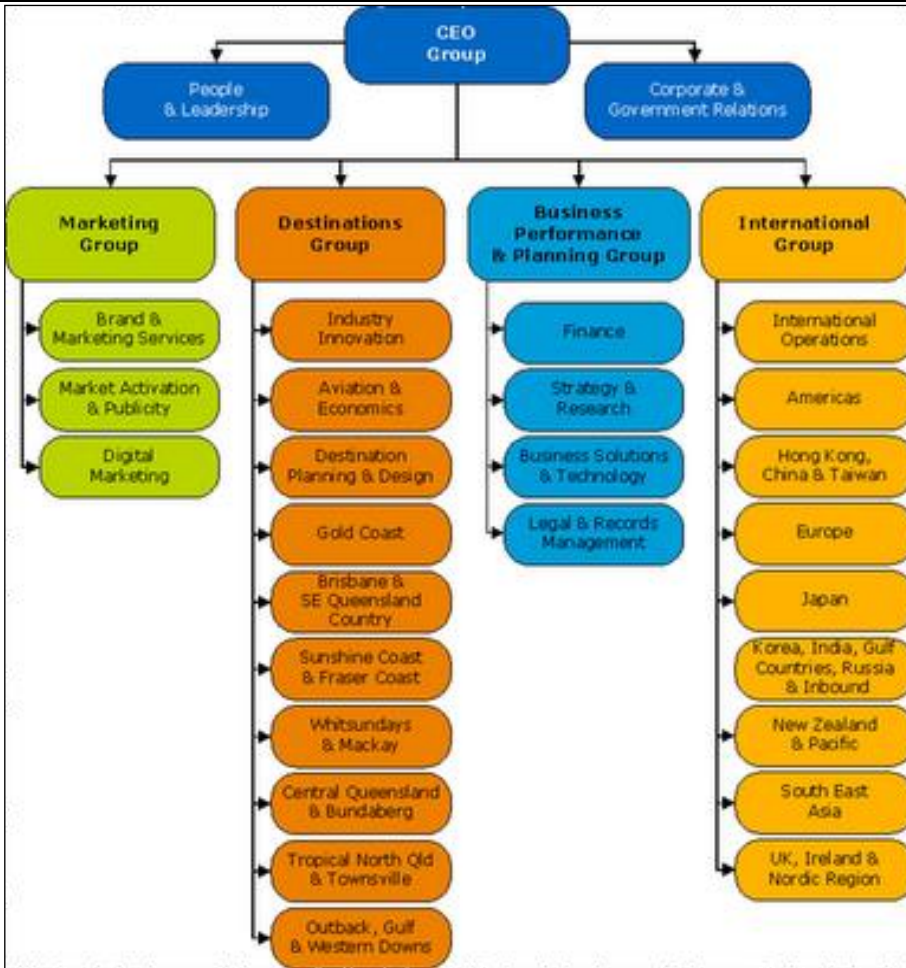
- **Clarity** The structure of the organization should be such that there is no confusion about people's goals, tasks, style of functioning, reporting relationship and sources of information.
- **Understanding** The structure of an organization should provide people with a clear picture of how their work fits into the organization.
- **De-centralization** The design of an organization should compel discussions and decisions at the lowest possible level.
- **Stability and Adaptability** while the organizational structure should be adaptable to environmental changes, it should remain steady during unfavourable conditions.

Organization Chart

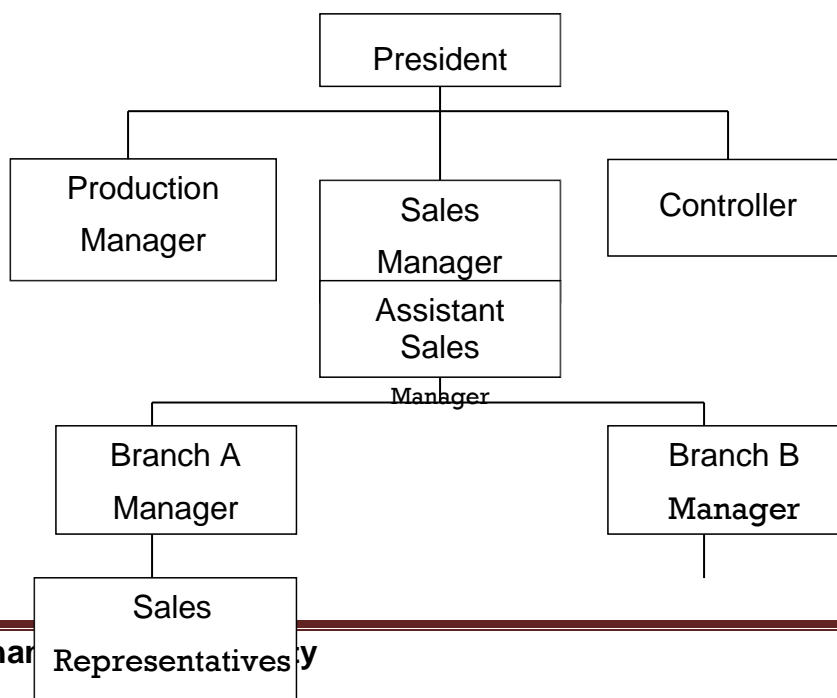
Organization structure of a company can be shown in a chart. Such chart indicates how different departments are interlinked on the basis of authority and responsibility. It is a simple diagrammatic method of describing an Organization structure. It indicates how the departments are linked together on the basis of authority and responsibility. Such Organization chart provides information of the Organization structure at a glance. Organization chart is like a blue print of a building. It indicates the number and types of departments, superior-subordinate relationship, chain of command and communication.

According to George Terry, Organization chart is "a diagrammatical form which shows important aspects of an Organization, including the major functions and their respective relationships, the channels of supervision and the relative authority of each employee who is in-charge of each respective function". The following two diagrams are the examples two types of organization charts;

Organizational Chart 1:



Organizational Chart 2:



| |
|--------------------------|
| Sales Representatives |
|--------------------------|

6.2.2 Types of Organization Structure

Organization structure is defined as "The logical arrangement of task and the network of relationships and roles among the various positions established to carry out the activities necessary to achieve the predetermined objectives of business". Internal Organization structure constitutes the arteries and veins through which the blood of work flows in the body of Organization.

Internal Organization structures can be broadly classified into the following types/forms:

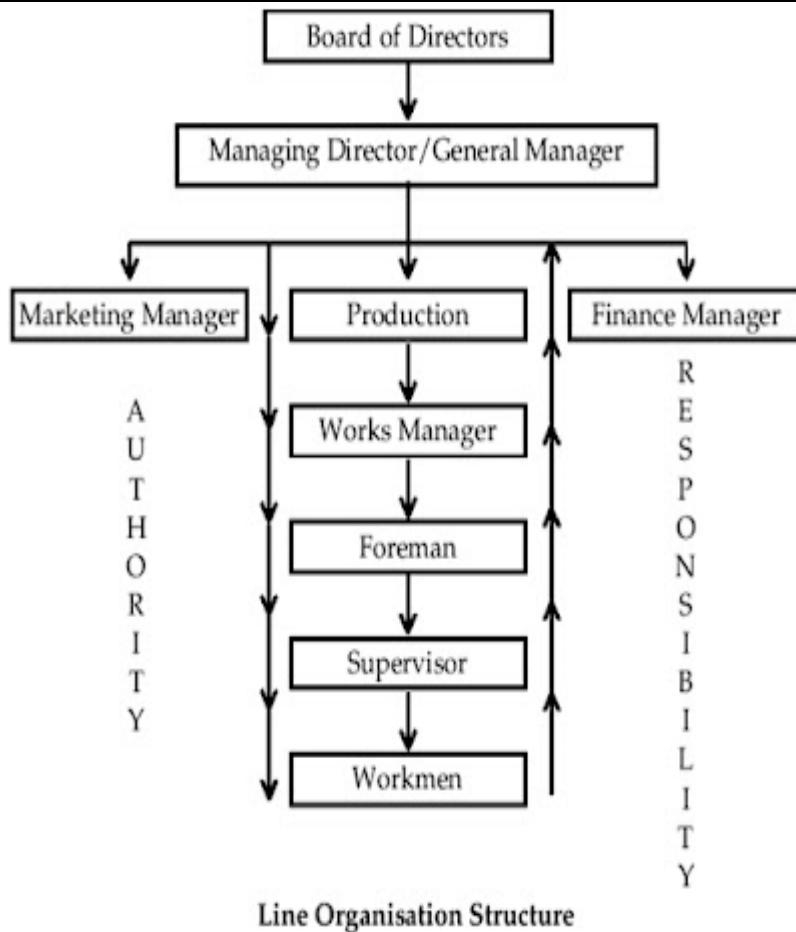
1. Line Organization structure.
2. Functional Organization structure.
3. Line and staff Organization structure.
4. Product Organization structure.
5. Committee and Matrix Organization structure.

1. Line Organization Structure

Line Organization (also called Military/Scalar Organization) is the oldest and the simplest form of internal Organization structure. It was first developed by the Roman army and later adopted by armies all over the world. Factory owners also used line Organization structure in its purest form in the nineteenth century in England.

In the line Organization, the line of authority moves directly from the top level to the lowest level in a step-by-step manner. It is straight and vertical. The top-level management takes all major decisions and issues directions for actual execution. The general manager, for example, issues order to various departmental managers. Thereafter, the departmental manager issues instructions to works manager. The works manager will issue instructions to foreman. In this manner, the orders and instructions will be issued to the workers working at the lowest level. Thus authority moves downward and also step-by-step. The responsibility, on the other hand, moves in the upward direction.

Line Organization structure is given in the following chart:



2. Functional Organization Structure

F.W.Taylor, founder of scientific management, conceived the functional Organization structure. According to him, it is unscientific to overload a foreman with the entire responsibility of running a department. He introduced a system of functional foremanship in his Organization. In his functional foremanship, there will be eight specialists' foremen who will be required to guide, direct and control the work. Workers at the plant level will have to follow the instructions of all these eight specialists called bosses.

In the functional Organization suggested by F.W.Taylor, the job of management is divided according to specialization. As a result, functional departments are created. For example, the personnel department will look after the recruitment, selection, training, wage payment, etc. of all persons of the Organization. Similar will be the position of other departments like production, sales, etc. The scope of work of the department is limited but the area of authority is unlimited.

In the functional Organization structure, there will be separation of planning of work and execution of the plan prepared. The basis of division is the function and

naturally the Organization structure created will be called "Functional Organization".

In the functional foremanship, there will be eight specialists/functional heads called bosses. Out of eight bosses, four bosses will be at the planning level and the remaining four will be at the shop floor level.

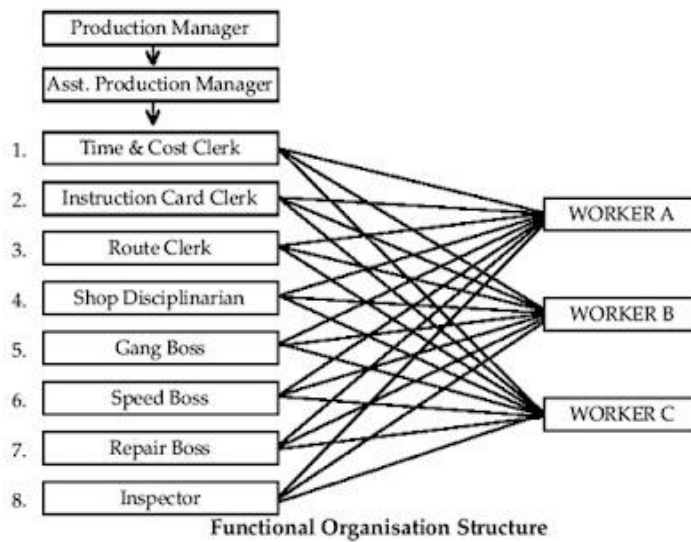
Foremen at Planning Level (Planning Dept.)

1. Time and Cost Clerk: He is concerned with preparing standard time for the completion of certain piece of work and compiling the cost of that work.
2. Instruction Card Clerk: He lays down the exact method of doing the work. He specifies the tools to be used for conducting the production and also gives other instructions on the instruction cards prepared by him.
3. Route Clerk: The route clerk lays down the exact route through which each and every piece of work should move through various stages till completion. He decides the production schedule and the sequence of steps by which the production process is to move.
4. Shop Disciplinarian: He is concerned with the discipline, insubordination, violation of rules of discipline and absenteeism. All cases relating to these matters will be managed by the shop disciplinarian.

Foremen at Shop Floor Level (Shop Floor)

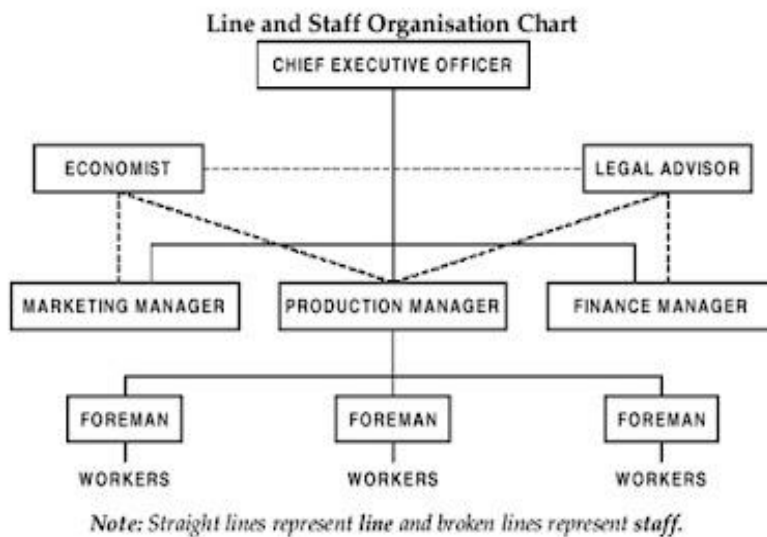
1. Gang Boss: He assembles and sets up various machines; and tools for a particular piece of work. He is in-charge of assembling line of production.
2. Speed Boss: He is concerned with the speeding of machines used for production. He keeps proper speed of the machines and see that workers complete the production work as per the schedule time.
3. Repair Boss: The repair boss looks after the proper maintenance of machines, tools and equipments required during the production process.
4. Inspector: The inspector controls quality of the products by keeping adequate check/control when the production work is in progress.

The functional Organization structure is given in the following chart:-



3. Line and Staff Organization Structure

In the line and staff Organization, line executives and staff (specialists) are combined together. The line executives are 'doers' whereas staff refers to experts and act as 'thinkers'. The following chart shows line and staff Organization structure:



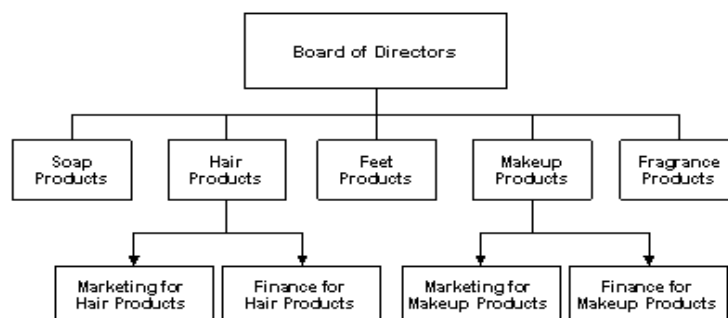
The line executives are concerned with the execution of plans and Policies. They do their best to achieve the organizational objectives. The staff concentrates their attention on research and planning activities. They are experts and conduct advisory functions.

Staff specialists are regarded as "thinkers" while execution function is given to line executives who are "doers". The staff is supportive to line. The staff specialists offer guidance and cooperation to line executives for achieving organizational objectives. This reduces the burden of functions on the line executives and raises overall efficiency of the Organization. For avoiding the conflicts between line and staff, there should be clear demarcation between the line and staff functions. This avoids overlapping of functions and possible conflicts. In short, the line and staff functions are different but are supportive and can give positive results if adjusted properly i.e. by avoiding the conflicts. They suggest/recommend but have no power to command the line executive. However, their advice is normally accepted because of their status in the Organization.

According to Louis Allen, "Line refers to those positions and elements of the Organization, which have the responsibility and authority and are accountable for accomplishment of primary objectives. Staff elements are those which have responsibility and authority for providing advice and service to the line in attainment of objectives".

4. Product Organization Structure

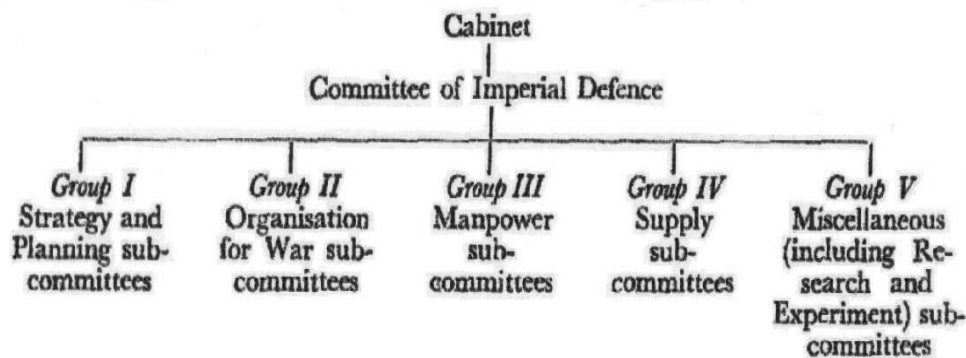
This form of organization structure is adopted by large companies producing a wide range of products. Here, the activities are grouped on the basis of the individual products manufactured by the company. Thus, one finds autonomous "little companies within the company" adopting this type of organization structure. As such, within each of these little independent units, we find all important functions viz. production, marketing, finance and human resources. One of the advantages of the product organization is that it enables diversification of the products to take place with minimal effort. Another advantage is that it can cope better with technological change by grouping people with expertise and their specialized equipment in one major unit. The main disadvantage of the product organization is that each product division may promote its own product group in a way that creates problems to other product divisions of the company. The following figure shows an example of a Product-based Organization Structure.



5. Committee and Matrix Organization structure.

1. Committees or juries

These consist of a group of peers who decide as a group, perhaps by voting. The difference between a jury and a committee is that the members of the committee are usually assigned to perform or lead further actions after the group comes to a decision, whereas members of a jury come to a decision. In common law countries, legal juries render decisions of guilt, liability and quantify damages; juries are also used in athletic contests, book awards and similar activities. Sometimes a selection committee functions like a jury. In the Middle Ages, juries in continental Europe were used to determine the law according to consensus amongst local notables. Committees are often the most reliable way to make decisions.



2. Matrix Organization - Meaning

Matrix Organization was introduced in USA in the early 1960's. It was used to solve management problems in the Aerospace industry. Matrix Organization is a combination of two or more organization structures for example, functional organization and Project Organization. Further, the organization is divided into different functions, e.g. Purchase, Production, R & D, etc. Each function has a Functional (Departmental) Manager, e.g. Purchase Manager, Production Manager, etc. The organization is also divided on the basis of projects e.g. Project A, Project B, etc. Each project has a Project Manager e.g. Project A Manager, Project B Manager, etc. The employee has to work under two authorities (bosses). The authority of the Functional Manager flows downwards while the authority of the Project Manager flows across (side wards). So, the authority flows downwards and across. Therefore, it is called "Matrix Organization".

An example of matrix organization is shown in the following diagram:-

| Functions Projects | Purchase Manager | Production Manager | R & D Manager | Marketing Manager | Finance Manager |
|-----------------------|---------------------|-----------------------|------------------|----------------------|--------------------|
| Project A Manager | | | | | |
| Project B Manager | | | | | |
| Project C Manager | | | | | |
| Project D Manager | | | | | |
| Project E Manager | | | | | |

MATRIX ORGANISATION

6.2.3 Factors Determining Organization Structure

An organization structure is the body of policies and rules that allows an organization to arrange its chain of command and communication while allocating rights and responsibilities, according to the Business Dictionary. Several factors should be considered in determining an appropriate organizational structure.

1. Size and Organizational Structure

The bigger the organization, the more complex is its structure. If the company is small, such as a three-person tax company, the design is generally simple. A small company does not have to undergo a formal structure; it can operate solely on the desires of the principals and the needs of the company. Policies and guidelines may be present only to provide the boundaries in which employees make decisions.

Larger organizations depend more on authority delegation and formal work responsibility, because a bigger company is harder to manage. Work duties tend to be specific to certain employees, and work procedures are based on rules and policies. The communication system is arranged so it flows from management to subordinates. Larger organizations are structured to enhance efficiency and specialization.

2. Life Cycle and Organizational Structure

An organization undergoes the stages of birth, youth, midlife and maturity. During birth, the company is in its blossoming phase and without a formal design. During the youth phase, the company is attempting to expand, with the needs of the customers becoming the focus. In the midlife phase, the company has developed a formal design with a chain of command. In the maturity stage, the organization is more focused on maintaining the stability it has developed.

3. Market Strategy and Organizational Structure

The organization must determine the technique it will use to market its product. It may invent a new product, or enhance one that is already on the market. Regardless of the method used, it must include a strategy that assists the company in attaining its goals.

4. Environment/Technology and Organizational Structure

Stable environments are settings that remain the same for long periods of time, such as manufacturers of stationary supplies. In a dynamic environment, the company may change frequently to match its clients' needs. For example, an electronics manufacturer may need to update or change its technology often to keep up with consumers' changing desires.

Through the use of technology, companies are able to operate more efficiently and at lower costs. By using tools, equipment and strategy, technology helps workers accomplish their core tasks at a quicker pace. If a company has the appropriate organizational structure blended with the right technology, it can attain organizational success.

6.2.4 Elements Of Organization Structure

Organization as a structure, implies a number of elements. There are six elements that managers need to address when they design their organization's structure. These are :- a) Work specialization. b) Departmentalization. c) Chain of command. d) Span of control. e) Centralization & Decentralization. f) Formalization

1. **Work Specialization:** - refers to the degree to which tasks in the organization are subdivided into separate jobs. The essence of work specialization is that, rather than an entire job being done by one individual, it is broken down into a number of steps, with each step being completed by a separate individual.

In work specialization:

- the entire job is broken down into steps, each step completed by a separate individual
- individual workers specialize in doing part of an activity
- involves repetitive performance of a few skills
- can be viewed as a means to make the most efficient use of employee's skills
- some task requires highly developed skills
- others can be performed by the untrained

Division of labor

- makes efficient use of employees skills
- increases employee's skills through repetition
- less between-job downtime increases productivity

- specialized training is more efficient
- allows the use of specialized equipment

2. **Departmentalization:** After reviewing the plans, usually the first step in the organizing process is departmentalization. Once jobs have been classified through work specialization, they are grouped so those common tasks can be coordinated. Departmentalization is the basis on which work or individuals are grouped into manageable units. There are five traditional methods for grouping work activities, these are; Departmentalization by function, Departmentalization by product, Departmentalization by geographical regions, Departmentalization by process, Departmentalization by customer

3. **Chain of Command:** It is the unbroken line of authority that connects each level of management with the next level. The chain of command helps organizations function smoothly by making two things clear: who is responsible for each task, and who has the authority to make official decisions. In organizations, employees are assigned:

- Responsibility along with the Accountability associated with it.
- Managers ensure tasks are accomplished by exercising authority together with the its appropriate Delegation. Possible chain-of-command systems include Line organization and Line & staff organization.

According to its proponent Henri Fayol (1841-1925), the more clear cut the chain of command, the more effective the decision making process and greater the efficiency. Military forces are an example of straight chain of command that extends in unbroken line from the top boss to lower ranks.

4. **Span of Control:** The Span of Control in an organization is defined as the number of employees reporting directly to one supervisor. Traditionally, the Span of Control has been defined as a number between 4 and 7 subordinates under one manager. The Span of Control is a concept which developed during the 19th Century for the organization of large European armies into smaller and smaller subunits. I.e. one could have 7 soldiers in one Platoon with 1 leader, 7 platoons with one higher-ranking leader, etc. to form a large army which was relatively easy for one General at the top to manage under conditions of combat.

Concept

- Wider spans of management increase organizational efficiency

Narrow Span Drawbacks

- *expense of additional layers of management*
- *increased complexity of vertical communication*
- *encouragement of overly tight supervision and discouragement of employee autonomy*

5. **Centralization and Decentralization:** Centralization refers to the degree to which decision making is concentrated at a single point in the organization. The concept includes only formal authority that is, the rights inherent to one's position.

In contrast, the actually given the discretion to make decision, the more decentralization there is. An organization characterized by centralization is an inherently different structural entity from one that is an inherently different structural entity from one that is decentralized. In a decentralized organization, action can be taken more quickly to solve problem, more people provide input into decisions and employees are less likely to feel alienated from those who make the decisions that affect their work lives. Consistent with recent management efforts to make organization more flexible and responsive, there has been a marked trend toward decentralizing decision making. In large companies, lower-level managers are closer to “the action” and typically have more detailed knowledge about problems than do top management.

6. **Formalization:** Formalization refers to the degree to which job within the organization are standardized. If a job is highly formalized then the job incumbent has a minimum amount of discretion over what is to be done, when it is to be done and how it is to be done. Employees can be expected always to handle the same input in exactly same way, resulting in a consistent and uniform output. There are explicitly job description lots of organizational rules, and dearly defined procedures covering work processes in organizations in which there is high formalization. Where formalization is low, job behaviors are relatively non-programmed and employees have a great deal of freedom to exercise discretion in their work. Because an individual’s discretion on the job is inversely related to the amount of behavior in that job that is preprogrammed by the organization, the greater the standardization and the less input the employee has into how his or her work is to be done. Standardization not his/her work is to be done. Standardization not only eliminates the possibility of employees engaging in alternative behaviors, but it even removes the need for employees to consider alternatives.

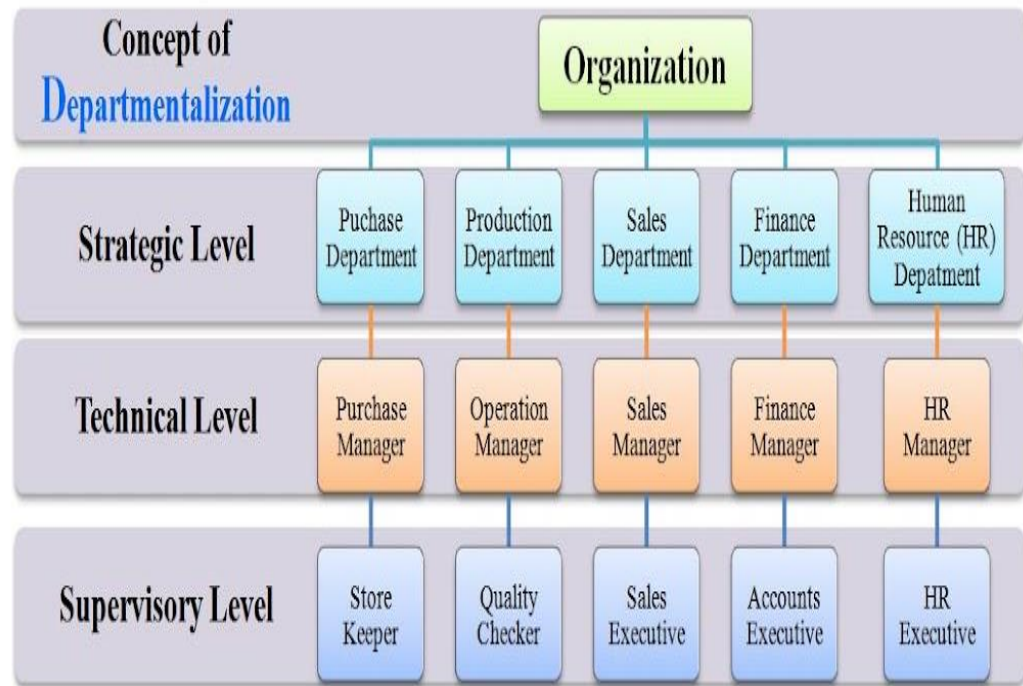
6.3. Departmentation

6.3.1 Departmentation: Concept, Meaning and Definition

Manner or practice in which related individual tasks and their allocation to work groups is combined, to form a specialized functional area that is distinct from other functional areas in an organization. Grouping related functions into manageable units to achieve the objectives of the enterprise in the most efficient and effective manner is departmentalization. As per Luthans, Departmentalization is a process of horizontal clustering of different types of functions and activities on any one level of the hierarchy. It is closely related to the classical bureaucratic principle of specialization (Luthans, 1986). Departmentalization is conventionally based on purpose, product, process, function, personal things and place (Gullick and Urwick, 1937).

According to Professors Pearce and Robinson, "Departmentalization is the grouping of jobs, processes, and In departmentalization, similar activities are grouped together to form various departments. For example, all the activities relating to accounts are grouped together to make the accounts department. Similarly, we have purchase department, production department, sales department, finance department, human resource (HR) department, etc.

So, departmentalization is the process of dividing the organization into different departments. It is the process by which an organization expands horizontally. There are many bases or types of departmentalization. A department consists of, head of department, specific functions and staff. The head of department (HOD) is responsible to the CEO of the organization for the functions of his department. The concept of departmentalization is depicted in the following diagram.



6.3.2 Need and Importance of Departmentalization

The need and importance of the departmentalization arise out of the benefits or advantages of departmentalization, which are listed as follows:

1. *Specialization*

In departmentalization, each department performs a different function. For example, Finance department looks after finance, marketing department looks after sales, etc. This results in specialization. Specialization leads to speed, accuracy, efficiency and improvement in quality and quantity of work.

2. Growth and expansion

There are many different departments in the organization. Therefore, the organization can easily grow and expand. Without departmentalization, the organization cannot grow and expand. It will remain small and static.

3. Fixing responsibility

Departmentalization helps to fix the responsibility of a specific job on a particular department. If there is a mistake in the accounts, then the accounts department will be held responsible. Similarly, if there is a mistake in the product, the production department will be held liable, and so on.

4. Better customer service

Departmentalization results in a better customer service. The customers get quick and efficient service. Many organizations do geographic and customer departmentalization..

5. Performance appraisal

In departmentalization, a specific job is given to a particular person or department. Therefore, it is very easy to do the performance appraisal. That is, the performance of a person or department can be easily measured.

6. Management development

Training given to managers is called management development. Departmentalization facilitates management development. This is because the junior or trainee managers can be sent to different departments to get an On-the-Job-training. They are allowed to take part in planning, decision making, implementation of strategies, etc. This results in management development.

7. Optimum utilization of resources

Departmentalization facilitates optimum utilization of resources. The men, money, materials, machines, methods and markets are put to maximum use. There are many organizations that use time departmentalization. Here, there are working shifts like morning shift, evening shift, night shift, etc. This results in optimum utilization of resources.

8. Facilitates better control

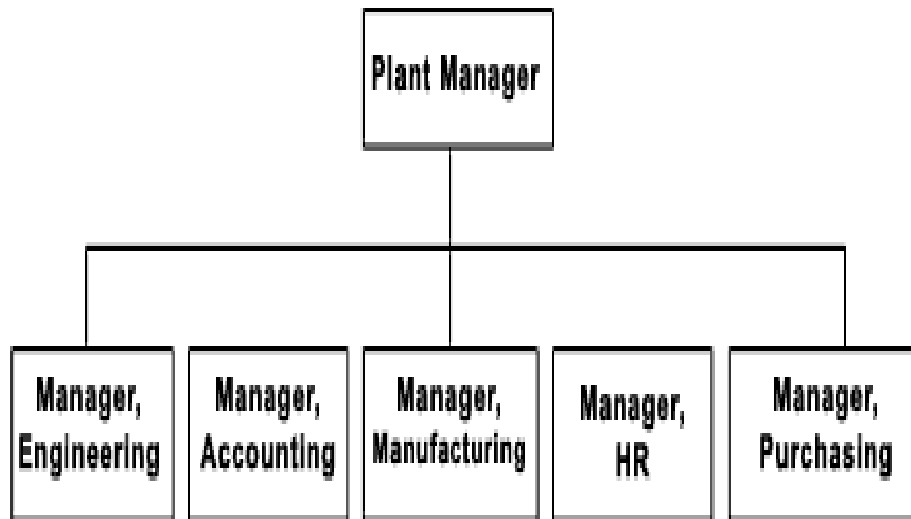
In departmentalization, the organization is divided into small manageable departments. These departments can be easily supervised and controlled. Hence, departmentalization also facilitates a better control.

6.3.4 Forms of Departmentation

A variety of means can be utilized for this purpose. The primary forms of departmentalization are by function, process, product, market, customer, geographic area, and even matrix (also called project organization). In many organizations, a combination of these forms is used **departmentalization** the grouping of related functions into manageable units to achieve the objectives of the enterprise in the most efficient and effective manner.

There are five common forms of departmentalization:

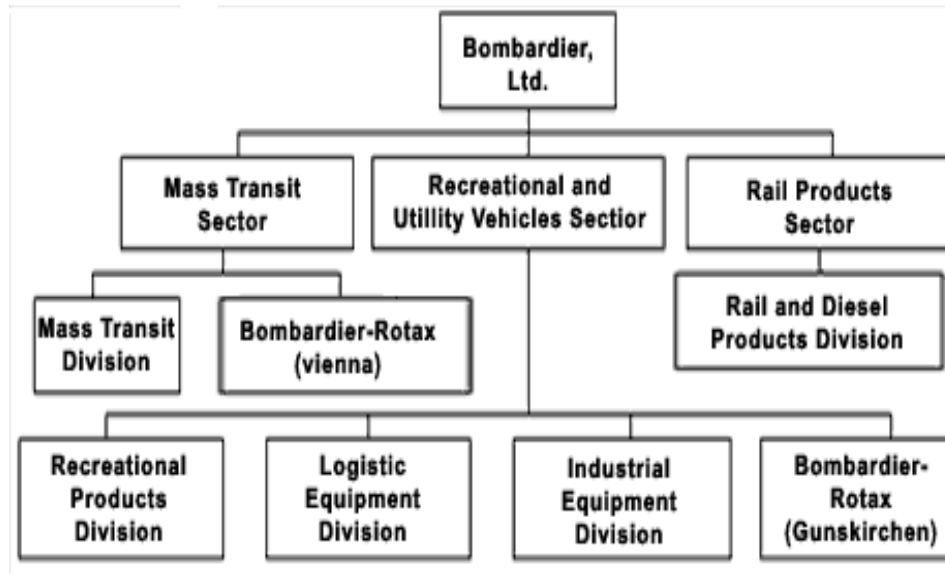
1. **Functional Departmentalization.** As shown in the following figure, it groups jobs by functions performed. It can be used in all kinds of organizations; it depends on the goals each of them wants to achieve. Functional Departmentalization example



Different aspects on this type of departmentalization:

| Positive Aspects | Negative Aspects |
|---|--|
| <ul style="list-style-type: none"> ○ Efficiencies from putting together similar specialties and people with common skills, knowledge, and orientations ○ Coordination within functional area ○ In-depth specialization | <ul style="list-style-type: none"> ○ Poor communication across functional areas ○ Limited view of organizational goals |

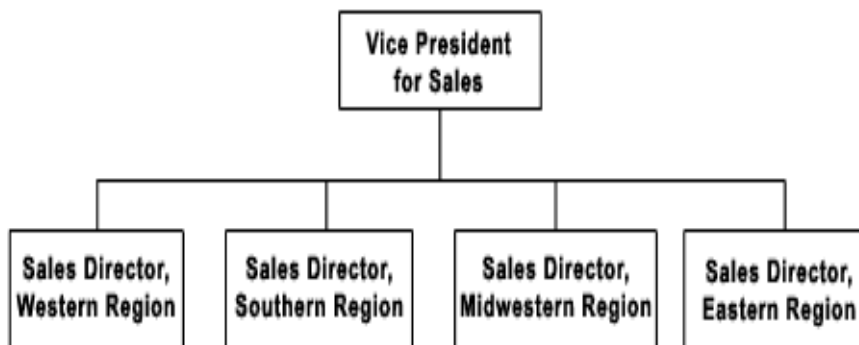
2. **Product Departmentalization.** It groups jobs by product line. Each manager is responsible of an area within the organization depending of his/her specialization. Product Departmentalization example



Different aspects on this type of departmentalization:

| Positive Aspects | Negative Aspects |
|---|--|
| <ul style="list-style-type: none"> ○ Allows specialization in particular products and services ○ Managers can become experts in their industry ○ Closer to customers | <ul style="list-style-type: none"> ○ Duplication of functions ○ Limited view of organizational goals |

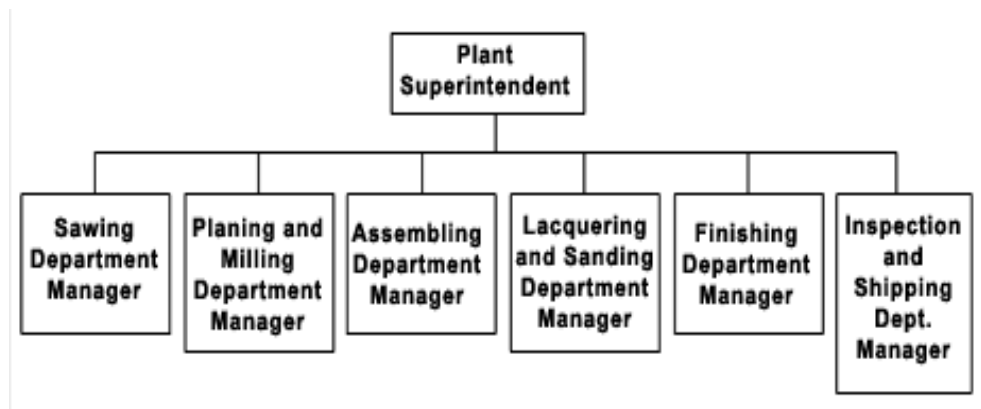
3. **Geographical Departmentalization.** It groups jobs on the basis of territory or geography. Geographical Departmentalization example



Different aspects on this type of departmentalization:

| Positive Aspects | Negative Aspects |
|---|---|
| <ul style="list-style-type: none"> ○ More effective and efficient handling of specific regional issues that arise ○ Serve needs of unique geographic markets better | <ul style="list-style-type: none"> ○ Duplication of functions ○ Can feel isolated from other organizational areas |

4. **Process Departmentalization.** It groups on the basis of product or customer flow. Process Departmentalization example



Different aspects on this type of departmentalization:

| Positive Aspects | Negative Aspects |
|---|--|
| 1. More efficient flow of work activities | 2. Can only be used with certain types of products |

5. **Customer Departmentalization.** It groups jobs on the basis of common customers. Customer Departmentalization example



Different aspects on this type of departmentalization:

| Positive Aspects | Negative Aspects |
|--|--|
| 1. Customers' needs and problems can be met by specialists | 2. Duplication of functions 3. Limited view of organizational goals |

6.3.5 Factors Effecting Departmentation

There are several factors that influence how departments are created. Management must appreciate the need for coordination among closely related works such as manufacturing, and marketing, purchasing and accounting, quality control and assembly, sales customer billing, employment and training, shipping and receiving. As a result heads two or more closely related operations may be placed in the same physical location and possibly report to same supervisor.

However, in the light of fast changing business environment, there is a strong relationship between internal and external environment that prevails within and outside the organizations. As a result the sustenance of the organizations especially in context of profitability highlights some of the most common factors that must be kept in mind before following the process of departmentalization, these include :

A. Strategy

An organization's structure is a means to help management achieve its objectives. Objectives derive from the organization's overall strategy. Departmentalization should follow strategy. Most current strategy frameworks focus on three strategy dimensions—innovation, cost minimization, and imitation—and the structural design must work best with each.

B. Organization Size

There is considerable evidence to support that an organization's size significantly affects its structure and departmentalization. Large organizations—employing 2,000 or more people—tend to have more specialization, more departmentalization, more vertical levels, and more rules and regulations than do small organizations. The impact of size becomes less important as an organization expands. Once an organization has around 2,000 employees, it's already fairly mechanistic. An additional 500 employees will not have much impact. However, adding 500 employees to a 300-employee firm is likely to result in a mechanistic structure.

C. Technology :

The term refers to how an organization transfers its inputs into outputs.

Every organization has at least one technology for converting financial, human, and physical resources into products or services. The relationships between technology and structure helps us to understand that :

Routine tasks are associated with taller and more departmentalized structures, wherein Routineness is associated with the presence of formalized documentation.

Moreover, there is an interesting relationship between technology and centralization: Routine technologies seem to be associated with a centralized structure, Non-routine technologies, which rely more heavily on the knowledge of specialists, would be characterized by delegated decision authority.

A more generalizable conclusion is that the technology-centralization relationship is moderated by the degree of formalization. Formal regulations and centralized decision making are both control mechanisms and substitutable: Routine technologies associate with centralized control if there is a minimum of rules and regulations; whereas if formalization is high, routine technology can be accompanied by decentralization.

D. Environment

Departmentalization is affected by its environment because of environmental uncertainty:

Some organizations face static environments—few forces in their environment are changing., whereas other organizations face very dynamic environments—rapidly changing government regulations affecting their business, new competitors, difficulties in acquiring raw materials, etc. Moreover, Static environments create significantly less uncertainty for managers than do dynamic ones. One way to reduce environmental uncertainty is through adjustments in the organization's structure.

There are three key dimensions to organizational environment—capacity, volatility, and complexity. Some general conclusions based on the three-dimensional definition of environment are:

- The more scarce, dynamic, and complex the environment, the more organic a structure should be.
- The more abundant, stable, and simple the environment, the more the mechanistic structure will be preferred.

6.4 Conclusion:

Organizations are economic and social entities in which a number of persons perform multifarious tasks in order to attain common goals. Organizations are effective instruments which help individuals in accomplishing their personal together with organizational objectives. The role of the manager involves continually balancing the needs of the task and the needs of the individual and the whole team. A manager works with groups and individuals towards goals within the constraints of the organization and the external environment. Managers make

decisions, allocate resources and coordinate the activities of others to achieve goals.

One common thread comes through in all of the theoretical and practical issues regarding functions to be performed and the skills required of a manager - the importance of managing people that leads to an ideal organization which in reality necessitates the active cooperation of all the members of an organization following the principles of departmentation, wherein, departmentation is a process of defining the activities and Work teams. This can only succeed and survive if companies together with formal organization structure adopt open lines of communication and establish relationships between employees and between employees and managers that are based on guidelines, ethics and trust.

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6.6 Progress Review

1. A small business with low departmentalization, wide spans of control, centralized authority, and limited formalization can be said to possess a _____ structure.
2. As the number of employees in an organization grows, structure tends to become more _____.
3. A simple organizational structure is characterized by _____.
4. Matrix structure mixes characteristics of functional departmentalization and _____.
5. _____ is the form of departmentalization that groups similar jobs and activities into departments.
7. A manufacturing company has divided its departments into pattern making, fabric cutting, and fabric coloring. What type of departmentalization is this?

Keys

1. Simple
2. Sspecialized
3. Wide spans of control
4. Product departmentalization
5. A functional structure
6. Process Departmentalization
7. Matrix

6.7 Excercise

1. What do you understand by organization structure? Discuss its various types.
2. While discussing the classification of organizational structures, explain how line organization is different to staff organization.
3. "Organization as a structure, that implies a number of elements, that top management need to address when they design their organization's structure.". Examine the statement with support of suitable examples.
4. While discussing the meaning of departmentalization, explain its types along with suitable examples.
5. Highlight various factors must be considered before clustering of different types of functions in to various departments.

UNIT 7: DELEGATIONS & DECENTRALIZATION

Structure

- 7.1 Introduction
- 7.2 Delegation of authority
- 7.3 Delegation
 - 7.3.1 Delegation : concept, meaning and definition
 - 7.3.2 Delegation of authority as a process
 - 7.3.3 Characteristics, importance and typology of delegation
 - 7.3.4 Obstacles / barriers to effective delegation
 - 7.3.5 Principles and elements of delegation
 - 7.3.6 Authority and responsibility in delegation – relationship and differences
- 7.4 Decentralization
 - 7.4.1 Decentralization: concept , meaning and definition
 - 7.4.2 Centralization versus decentralization
 - 7.4.3 Implications of decentralization
 - 7.4.4 Benefits and limitations of decentralization
 - 7.4.5 Importance of decentralization Factors for determining effective decentralization
- 7.5 Delegation and decentralization: relationship matrix
- 7.6 Conclusion
- 7.7 References
- 7.8 Progress review
- 7.9 Exercises



7.1 Introduction

Management is an activity process composed of some basic functions, for getting the objective of any enterprise accomplished through the efforts of its personnel. Wherever and whenever objectives are to be achieved through organized and co-operative Endeavour, management becomes essential for directing and unifying the group efforts towards a common purpose. Therefore, in this era of competitive business environment, Organizations have tended to move away from old hierarchical, top-down structures to ones in which employees are empowered to make decisions and think for themselves, that involves handing out responsibility to individuals in an organization to make decisions rather than everyone having to be told what to do by top managers in a hierarchical way. This concept of delegation is coupled with the decentralization process whereby instead of all decisions being made at the centre (e.g. Head Office) of an organization, they are made throughout the organization. In the modern business world big companies have to accept the paradox that to stay big they have to act small.

In this new way of viewing the organization, self-contained teams are responsible for a specific part of the business or for a particular project. They work to targets set by central management. They take advice and assistance as necessary from the specialist departments such as Research and Development, Finance, Personnel and Public Relations - although sometimes they may have their own specialists. They also take goods and services from outside suppliers when these are judged to be more cost-effective. Occasionally, central management, or one of its teams, may decide to subcontract an entire project to an outside supplier.

7.2 Objectives

After reading this Unit, you should be able to:

1. Understand meaning , concept and definition of delegation and decentralization
2. Explain delegation as a process, its importance and typology
3. Principles and elements of delegation as also the understanding of barriers in effective delegation.
4. Explain the conceptual framework of the decentralization and implications and factors involved in determining effective decentralization
5. Make a comparative interpretation of decentralization versus centralization

7.3 Delegation

7.3.1 Delegation: Concept, Meaning and Definition

Delegation of authority is one vital organizational process. It is inevitable along with the expansion and growth of a business enterprise. Delegation means assigning of certain responsibilities along with the necessary authority by a superior to his subordinate managers. Delegation does not mean surrender of

authority by the higher level manager. It only means transfer of certain responsibilities to subordinates and giving them the necessary authority, which is necessary to discharge the responsibility properly. Delegation is quite common in all aspects of life including business. Even in the college, the principal delegates some of his authority to the vice-principal.

In delegation, an attempt is being made to have meaningful participation and cooperation from the subordinates for achieving certain well-defined results. Due to delegation, the routine responsibilities of the superior are reduced. As a result, he concentrates on more urgent and important matters. Secondly, due to delegation, subordinate becomes responsible for certain functions transferred to him. Delegation is a tool, which a superior manager uses for sharing his work with the subordinates and thereby raising his efficiency.

Delegation is not a process of abdication. The person who delegates does not divorce himself from the responsibility and authority with which he is entrusted. He remains accountable for the overall performance and also for the performance of his subordinates. Delegation is needed when the volume of work to be done is in excess of an individual's physical and mental capacity.

In fact, Delegation means grant or conferment of authority by a superior to a subordinate for the accomplishment of a particular assignment. According to **F.C. Moore**, "Delegation means assigning work to the others and giving them authority to do so." According to **O. S. Miner**, "Delegation takes place when one person gives another the right to perform work on his behalf and in his name and the second person accepts a corresponding duty or obligation to do that is required of him." To quote Theo Himann, "Delegation of authority merely means granting of authority to subordinates to operate within prescribed limits." Similarly, Koontz and O' Donnel say that, "authority is delegated when enterprise discretion is vested in a subordinate by a superior." According to Louis Allen, "Delegation is the dynamics of management, it is the process a manager follows in dividing the work assigned to him so that he performs that part which only he, because of his unique organizational placement, can perform effectively, and so that he can get others to help him with what remains."

In the words of Terry, "Delegation means conferring authority from one executive or organization unit to another." It implies that delegation is not only devolution from higher to lower level and it can be from lower to a higher authority or between equal authorities. Delegation thus can be downward, upward or sideward.

According to Terry, Delegation may be classified as (a) Downward: when a higher authority delegates to the lower authority as a sales manager delegates to a salesman (b) Upward: when a lower authority delegates to a higher authority as the shareholders delegate their authority to the Board of Directors, and (c) 'Sideward' when delegation is at an equal level as in a case of a person delegating to his peers in the organization. Therefore, delegation can be defined as the entrustment of a part of work or responsibility and authority to another and the creation of accountability for performance.

According to Mooney, delegation means conferring of specified authority by a higher to lower authority. It is devolution of authority by a person to his agent or subordinate, subject to his right of supervision and control, It implies that legally delegated authority still belongs to the Delegator are the person who delegates, but in practice its exercise is allowed to the subordinate or the agent. Albert K. Wickesberg, too, in the same spirit observes: "The act or process of delegation is the assigning to subordinates of specified tasks of the organization and the granting to one or more persons the authority necessary for directing satisfactorily the activities and duties so assigned." However, writers like George R. Terry do not agree with this interpretation of delegation. They hold that delegation is not essentially a devolution of authority from higher to a lower authority or from superior to a subordinate.

In simple words, Delegation involves sharing of either managerial work or operating work between a manager and his subordinates. Delegation of authority is the process by which a superior can share his/ her duties with the immediate subordinates who in turn delegate the authority to their subordinates and the process is continued up to an operating level of employees. Delegation is a win-win approach when done properly, however, that doesn't mean-that delegator can just delegate anything. Delegator has to always keep in mind that the task provides a great opportunity for other members to develop their personal skills? Delegating a job effectively is the most important factor in delegation. Therefore, Organization involves the dividing up of job in an enterprise which leads to the creation of departments. The creation of departments causes delegation of authority. Modern organizations have grown in size and complexities, and this has necessitated the division of an organization into different segments. Such division is undertaken with an intention to execute the policies of an Organization most effectively. Mere division of the Organization does not serve the purpose, as the various departmental heads and subordinates require authority to perform the tasks assigned to them efficiently. Such process of parting with authority is known as Delegation. It is necessary to delegate the authority because a single person cannot do everything himself. Therefore, the superiors have to part with part of the authority that they possess.

The "secret" of effective delegation is to define:

- the task
 - the accountability requirement
 - the responsibility being given
 - the authority being given.
-
- **Definition of the Task.** The task should constitute a "whole," that is, a project for the individual to undertake. It should be worthwhile and relate to the overall mission of the organization. The purpose of delegation is two-fold: to accomplish the task and to develop the employee. Both are important. Some aspects of good task definition are:
 - clearly defined outcome(s), e.g., what is the deliverable?

- clear statement of the time frame, e.g., when is the deliverable due?
 - specification of the monitoring procedures to be used, e.g., when will review meetings be scheduled? or when are interim reports due?
 - indication of how the outcome will be used, e.g., will the result be implemented immediately or will it be sent for higher level? or is it to be used as input to a decision; if so, when will the decision be made?
- **Accountability Requirement.** The manager should specify what the task parameters are so that the delegate realizes the limits of his/her authority and will not make unilateral decisions prejudicial to the organization. The delegate should also learn the manager's expectations for periodic monitoring. The monitoring itself may be delegated, e.g., the individual may be asked to produce regular written reports.
 - **Responsibility Delegation.** The manager remains accountable for the outcome(s) of the task but must confer on the delegatee the power to make decisions needed to ensure success of the project. Once the boundaries of responsibility are clearly defined, the delegatee should be allowed to do the work without any interference. In delegating a task, the following should be made clear (preferably in writing):
 - the overall goal of which the task being delegated is a part
 - the precise outcome(s) required
 - how far the delegatee can interpret events and the extent to which his/her actions must conform to set rules
 - the nature of circumstances that will require authorization by a higher level person
 - how (and at what intervals) accountability monitoring will take place
 - **Authority given.** Possibly the most frequent complaint made against managers is that they give responsibility without authority, that is, they ask an employee to undertake a task without giving him/her the necessary resources to succeed. At the initiation of the delegation, the manager should transfer to the delegatee the following:
 - the **financial resources** needed. A major task (think of it as a project) should carry its own budget and the delegatee should have the power to spend money as required by the task without requesting permission from a superior. Because financial accountability remains with the manager, it may be necessary to have periodic reviews of the financial situation to be sure that funds are being spent appropriately and that the amount allocated was sufficient for the task. Typically the reviews take the form of an accounting report submitted on a regular basis.
 - the **material resources** needed, e.g., materials, facilities, technical aids. If resources are to be shared with others, the priority of the particular project should be clarified at the outset. Is the delegatee to wait in a queue for a shared resource? If so, has the time lag been built into the time frame for the project?
 - **technical support** in the form of secretarial or technical assistance. If these support services are shared, the level of priority for the project and/or the number of hours of secretarial or technical help should be specified.

- **political power** in the form of the authority to require other personnel to participate in the task as the delegator specifies. This enables the delegatee to form committees, to delegate sub-tasks, to sign his/her own letters, to represent the manager to outside agencies. It is poor delegation to review and sign letters prepared by the delegatee or to brief him/her on what to say at meetings with outside agencies.

Follow up to a Delegated Task. Good managers use delegation as a way to develop their staff. Feedback on the task is an important responsibility of the manager. This can take place in the following ways:

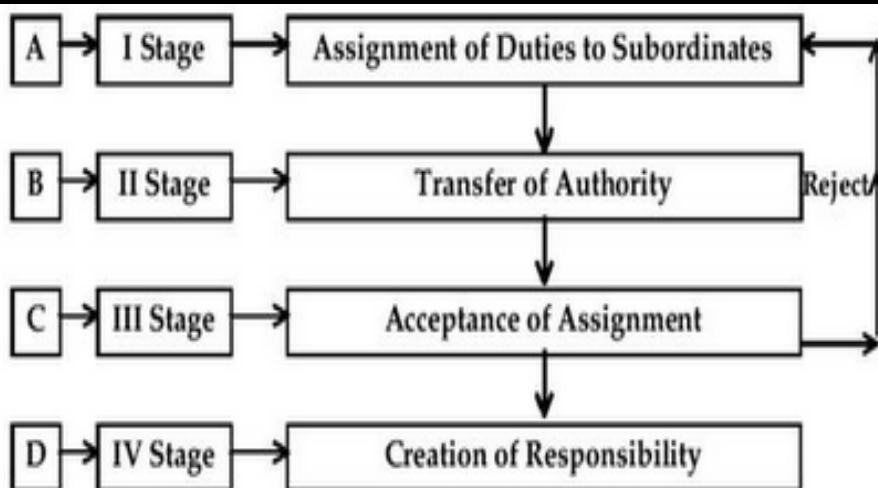
- public acknowledgement of the work done, e.g., a statement to other people in the organization through a in-house publication or by an announcement at a staff meeting.
- personal thanks for having done the work
- praise for aspects of the work that were particularly well done.
- constructive feedback to improve certain aspects in the next similar task.
- a note in the employee's personnel file.

Objectives of Delegation of Authority: A brief review of the related literature indicates the following objectives of the delegation

- To reduce the excessive burden on the superiors i.e., executives and managers functioning at different levels.
- To provide opportunities of growth and self development to junior executives.
- To create a team of experienced and matured managers for the Organization. It acts as a technique of management and human resource development.
- To improve individual as well as overall efficiency of the Organization.

7.3.2 Delegation of authority as a Process

Delegation process involves four distinct stages. The process of delegation moves through these stages. The following figure shows the stages in the process of delegation of authority.



Four Stages in Process of Delegation of Authority are:

(A) Assignment of duties to subordinates: Before delegating, the delegator has to decide precisely the duties which are to be delegated to the subordinate or a group of subordinates. The authority is delegated accordingly and the subordinate is told what is expected from him. The usual practice is to list the functions to be performed by the subordinate. If necessary, targets to be achieved by the subordinate are also spelt out. Subordinates may be assigned tasks either in terms of activities or results. The manager (delegator) must communicate clearly his expectations. Competent and responsible employees may be given general guidelines about what needs to be accomplished. Their less competent and responsible counter-parts need more specific guidelines. In brief, in the first stage of delegation process, duties are assigned to the subordinate.

(B) Transfer of authority to perform the duty : In the second stage of delegation process, the authority is granted by the delegator to his subordinate (delegate). Authority must be delegated strictly to perform the assigned duty. The performance of duties suffers serious setback when required authority is not delegated along with the duty. In brief, the transfer of authority should be adequate considering the duties assigned to the subordinate.

(C) Acceptance of the assignment: In this third stage of delegation process, the subordinate/delegate has to accept or reject the task assigned to him in the first stage along with the authority given in the second stage. If the delegates refuse, the delegator has to make fresh plan of delegation or may consider some other subordinate who is capable and is willing to accept the assignment. On the other hand, the process of delegation will move to the fourth and the last stage, if the first delegates accept the assignment of work accompanying the authority.

(D) Creation of Obligation / Accountability / Responsibility : The fourth stage in the, delegation of authority is the creation of obligation on the part of the subordinate to perform duties assigned to him in a satisfactory manner by using

the authority given. When subordinate accepts a task and the authority is given, an obligation is created. He has to perform the assigned task by using the authority granted to him. A subordinate is also responsible/accountable for completing the assigned work. He is held answerable to a superior for the satisfactory performance of that work assigned. The delegator has to help his subordinate as and when necessary as he is responsible to his superior/Organization.

7.3.3 Characteristics, Importance and Typology of Delegation

Characteristics of Delegation has the following characteristics

1. Delegation is the authorization to a manager to act in a certain way independently. The degree of delegation puts a manager to act within the limits prescribed by his superior. Moreover, within the limits he is not free to act arbitrarily but subject to provisions of Organizational policy, rules and regulation.
2. Delegation has a dual characteristic. A superior delegates authority to subordinates, however a superior at the same time still retains authority. As Terry has observed, 'it is something like imparting knowledge. You share with others who then possess the knowledge, but you still retain the knowledge too.
3. Authority once delegated can be enhanced, reduced or withdrawn depending upon the requirement. The changes in organization structure, Organization climate, policy, procedure, and method require modifications in delegation of authority. Since, authority is delegated to an individual, the authority can be recovered back fully in the case of his exit from the Organization.
4. A manager cannot delegate authority which he himself does not process. Moreover, he does not delegate the entire authority to his subordinates because if he delegates all his authority he cannot work.
5. Delegation may be specific or general. Similarly, it can be written or unwritten. Delegation is specific when course of action for specific objectives are specified; it is general when these are not specified, though objectives are specified.

Importance of Delegation

Delegation of authority is a process in which the authority and powers are divided and shared amongst the subordinates. When the work of a manager gets beyond his capacity, there should be some system of sharing the work. This is how delegation of authority becomes an important tool in organization function. Through delegation, a manager, in fact, is multiplying himself by dividing/multiplying his work with the subordinates. The importance of delegation can be justified by -

1. Through delegation, a manager is able to divide the work and allocate it to the subordinates. This helps in reducing his work load so that he can work on important areas such as - planning, business analysis etc.

2. With the reduction of load on superior, he can concentrate his energy on important and critical issues of concern. This way he is able to bring effectiveness in his work as well in the work unit. This effectively helps a manager to prove his ability and skills in the best manner.
3. Delegation of authority is the ground on which the superior-subordinate relationship stands. An organization functions as the authority flows from top level to bottom. This in fact shows that through delegation, the superior-subordinate relationship become meaningful. The flow of authority is from top to bottom which is a way of achieving results.
4. Delegation of authority in a way gives enough room and space to the subordinates to flourish their abilities and skill. Through delegating powers, the subordinates get a feeling of importance. They get motivated to work and this motivation provides appropriate results to a concern. Job satisfaction is an important criterion to bring stability and soundness in the relationship between superior and subordinates. Delegation also helps in breaking the monotony of the subordinates so that they can be more creative and efficient. Delegation of authority is not only helpful to the subordinates but it also helps the managers to develop their talents and skills. Since the manager get enough time through delegation to concentrate on important issues, their decision-making gets strong and in a way they can flourish the talents which are required in a manager. Through granting powers and getting the work done, helps the manager to attain communication skills, supervision and guidance, effective motivation and the leadership traits are flourished. Therefore it is only through delegation, a manager can be tested on his traits.
5. Delegation of authority is help to both superior and subordinates. This, in a way, gives stability to a concern's working. With effective results, a concern can think of creating more departments and divisions flow working. This will require creation of more managers which can be fulfilled by shifting the experienced, skilled managers to these positions. This helps in both virtual as well as horizontal growth which is very important for a concern's stability.

Therefore, from the above points, we can justify that delegation is not just a process but it is a way by which manager multiples himself and is able to bring stability, ability and soundness to a concern.

Typology of Delegation

Delegation may be of the following types:

1. General or Specific Delegation. In general delegation, the subordinate is granted authority to perform all the functions in his department or division. However, the subordinate exercises this authority under the overall guidance and control of the superior. Under specific delegation, a person is given authority regarding specific function or functions. For example, a sales person may be given the authority to collect payments from debtors. Thus, specific delegation is functional in nature. Specific delegation is precise and the subordinate clearly understands what he is expected to do. But it may create inflexibility in the Organization.

2. **Formal or Informal Delegation.** When authority is delegated as per the Organization structure, it is called formal delegation. Such delegation is effective because it leaves no option to the subordinate but to obey the commands of the superior. For example, a sales person may be granted authority to grant discount up to 5 per cent on the list price to customers buying goods worth Rs. 5,000 or more. Informal delegation takes place when an individual or a group agrees to work under the direction of an informal leader. Need for informal delegation arises due to procedural delays and red tape. When people want to short circuit the formal procedures so as to perform the task quickly, they resort to informal delegation.

3. **Written or Oral Delegation.** Delegation made by written orders and instructions is known as written delegation. Unwritten or oral delegation is based in custom and conventions.

4. **Downward and Sideward Delegation.** Downward delegation occurs when a superior assigns duties and grants authority to his immediate subordinate. This is the most common type of delegation. Sideward delegation takes place when a subordinate assigns some of his duties and authority to another subordinate of the same rank

7.3.4 Obstacles /Barriers to Effective Delegation:

The obstacles from the perspective of delegator and delegate are as:

(A) Obstacles / Barriers on the Part of Manager / Superior / Delegator

1. Unwillingness of the manager to delegate authority: Some superiors/managers tend to think that they can do the job better when they themselves handle the job. The attitude that 'I can do it better myself' on the part of superior acts as an obstacle to delegation. Some managers (superiors) who are autocratic and power worshippers feel that delegation will lead to reduction of their influence in the Organization. A manager may feel that if he has a competent subordinate and if he delegates authority to the subordinate, quite likely he will outshine him (manager) and may be promoted.

2. Fear of competition: A manager may feel that if he has a competent subordinate and if he delegates authority to the subordinate, quite likely he will outshine him. Fear of subordinate's excellence may come in the way of delegation.

3. Lack of confidence in subordinates: A manager may hesitate to delegate authority, if he feels that his subordinate is not competent to deal with the problem and take decisions. Even *fear of losing control* over the subordinates acts as an obstacle to delegation. In addition, *fear of being exposed* due to personal shortcomings may act as an obstacle in the process of delegation.

4. Lack of ability to direct: Sometimes, a manager may experience difficulty in directing the efforts of his subordinates because of his inability to identify and communicate the essential features of his long-range plans and programmes.

5. Absence of controls that warn of coming troubles : An Organization might not have developed the controlling techniques to know in advance the serious problems lying ahead. It may happen due to concentration of power in the hands of few people. As a result, manager may resist delegation.

6. Conservative and cautious temperament of the manager: If a manager has a conservative and over-cautious approach, there will be psychological barrier in the way of delegation. A manager avoids delegation as he feels that something may go wrong even when the instructions given are clear and the subordinates are reliable.

7. Desire to dominate subordinates: Managers (Superiors) normally, have a desire to dominate the subordinates functioning under their control. They feel that their domination will reduce if the powers are delegated to subordinates. They also feel that due to delegation, the subordinates will know their managerial deficiencies. In order to maintain their superior status and in order to dominate the subordinates, they avoid delegation itself.

(B) Obstacles / Barriers on the Part of Subordinates

1. Too much dependence on the manager for decisions: Some subordinates avoid responsibility even when the superior/manager is prepared to delegate authority. They want the manager to tackle problems and take decisions. A subordinate who is not confident about his performance/ability will certainly try to shirk responsibility even though his superior is prepared to delegate functions and authority.

2. Fear of criticism: Subordinates express unwillingness to accept delegated authority because of the fear of criticism in the case of mistakes. They fear that they may be criticized by others if they commit mistakes. Such subordinates have the following feeling in their mind, "*Why should I stick my neck out for my boss?*"

3. Lack of information: A subordinate may hesitate to accept a new assignment, when he knows that necessary information to perform the job is not likely to be made available to him. He is reluctant to accept delegated functions and authority as he feels that he will not be able to perform well due to inadequate information available.

4. Absence of positive incentives: Positive incentives like recognition of work and rewards go a long way in building up the morale of subordinates. In the absence of such incentives in the form of recognition, appreciation or monetary benefit, a subordinate may not be prepared to accept delegation of authority.

5. Absence of self-confidence: A subordinate may lack self-confidence about his ability to take quick and correct decisions. He may not like to accept new challenging functions as he lacks self-confidence. Thus, lack of self-confidence on the part of subordinates is one obstacle which comes in the way of delegation of authority.

6. Difficulty in decision-making: A subordinate may not have the skill and the expertise to take quick and correct decisions. He prefers to go to his superior (boss) and ask for his guidance or opinion. Such psychology acts as a cause for non-acceptance of delegation. A subordinate avoids delegation due to such mental tension or inferiority complex.

7. Poor superior-subordinate relations: Absence of cordial relations in between the superior and the subordinates hampers the process of delegation of authority. The attitude of the superior towards subordinate may not be friendly but hostile. There may be undue interference in the work assigned to the subordinate. Even the good work of subordinate may not be appreciated by the superior. Such situation creates unfavorable attitude of subordinate towards delegation. He avoids delegation as and when offered.

8. Undue interference by superior: A superior should not interfere in the duties delegated to the subordinate. He may offer guidance as and when asked for. Some superiors interfere in the work of his subordinate and try to control him often and again. In the absence of legitimate freedom, the subordinate becomes uneasy and prefers to remain away from the process of delegation.

9. Fear of being exposed: Some subordinates may have inferiority complex. They feel that they have limited capacity to accept the challenges which are bound to come out to delegation. They feel that their inability to deal with new problems will be exposed due to delegation. This fear acts as an obstacle to delegation.

7.3.5 Principles and Elements of Delegation

Principles of Delegation

There are a few guidelines in form of principles which can be a help to the manager to process of delegation. The **principles of delegation** are as follows: -

1. **Principle of result expected-** suggests that every manager before delegating the powers to the subordinate should be able to clearly define the goals as well as results expected from them. The goals and targets should be completely and clearly defined and the standards of performance should also be notified clearly. For example, a marketing manager explains the salesmen regarding the units of sale to take place in a particular day, say ten units a day have to be the target sales. While a marketing manager provides these guidelines of sales, mentioning the target sales is very

important so that the salesman can perform his duty efficiently with a clear set of mind.

2. **Principle of Parity of Authority and Responsibility-** According to this principle, the manager should keep a balance between authority and responsibility. Both of them should go hand in hand. According to this principle, if a subordinate is given a responsibility to perform a task, then at the same time he should be given enough independence and power to carry out that task effectively. This principle also does not provide excessive authority to the subordinate which at times can be misused by him. The authority should be given in such a way which matches the task given to him. Therefore, there should be no degree of disparity between the two.
3. **Principle of absolute responsibility-** This says that the authority can be delegated but responsibility cannot be delegated by managers to his subordinates which means responsibility is fixed. The manager at every level, no matter what is his authority, is always responsible to his superior for carrying out his task by delegating the powers. It does not mean that he can escape from his responsibility. He will always remain responsible till the completion of task. Every superior is responsible for the acts of their subordinates and are accountable to their superior therefore the superiors cannot pass the blame to the subordinates even if he has delegated certain powers to subordinates example if the production manager has been given a work and the machine breaks down. If repairmen is not able to get repair work done, production manager will be responsible to CEO if their production is not completed.
4. **Principle of Authority level-** This principle suggests that a manager should exercise his authority within the jurisdiction / framework given. The manager should be forced to consult their superiors with those matters of which the authority is not given that means before a manager takes any important decision, he should make sure that he has the authority to do that on the other hand, subordinate should also not frequently go with regards to their complaints as well as suggestions to their superior if they are not asked to do. This principle emphasizes on the degree of authority and the level upto which it has to be maintained.

Elements of Delegation

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

doesn't imply escaping from accountability. Accountability still rest with the person having the utmost authority

2. **Responsibility** - is the duty of the person to complete the task assigned to him. A person who is given the responsibility should ensure that he accomplishes the tasks assigned to him. If the tasks for which he was held responsible are not completed, then he should not give explanations or excuses. Responsibility without adequate authority leads to discontent and dissatisfaction among the person. Responsibility flows from bottom to top. The middle level and lower level management holds more responsibility. The person held responsible for a job is answerable for it. If he performs the tasks assigned as expected, he is bound for praises. While if he doesn't accomplish tasks assigned as expected, then also he is answerable for that.
3. **Accountability** - means giving explanations for any variance in the actual performance from the expectations set. Accountability can not be delegated. For example, if 'A' is given a task with sufficient authority, and 'A' delegates this task to B and asks him to ensure that task is done well, responsibility rest with 'B', but accountability still rest with 'A'. The top level management is most accountable. Being accountable means being innovative as the person will think beyond his scope of job. Accountability, in short, means being answerable for the end result. Accountability can't be escaped. It arises from responsibility.

7.3.6 Authority and Responsibility in Delegation – Relationship and Differences

Authority is the legal right of person or superior to command his subordinates while accountability is the obligation of individual to carry out his duties as per standards of performance Authority flows from the superiors to subordinates, in which orders and instructions are given to subordinates to complete the task. It is only through authority, a manager exercises control. In a way through exercising the control the superior is demanding accountability from subordinates. If the marketing manager directs the sales supervisor for 50 units of sale to be undertaken in a month. If the above standards are not accomplished, it is the marketing manager who will be accountable to the chief executive officer. Therefore, we can say that authority flows from top to bottom and responsibility flows from bottom to top. Accountability is a result of responsibility and responsibility is result of authority. Therefore, for every authority an equal accountability is attached. The following table shows the basic difference between authority and responsibility

| Authority | Responsibility |
|--|--|
| It is the legal right of a person or a superior to command his subordinates. | It is the obligation of subordinate to perform the work assigned to him. |
| Authority is attached to the position of a superior in concern. | Responsibility arises out of superior-subordinate relationship in which |

| | |
|---|--|
| | subordinate agrees to carry out duty given to him. |
| Authority can be delegated by a superior to a subordinate | Responsibility cannot be shifted and is absolute |
| It flows from top to bottom. | It flows from bottom to top. |

7.4 Decentralization

7.4.1 Decentralization: Concept meaning & definition

Decentralization in some form is present in every Organizational structure where there is delegation of authority. Since delegation is an essential process of Organization, it may be said that some degree of decentralization of authority is to be found in all Organizational structures. By that we should not consider decentralization and delegation is identical concepts. Delegation of authority means delegation of the power to issue instructions to subordinate for performance of assigned work. Some degree of power of decision-making may or may not go with the same. But it is essentially a process confined between one individual and another and may not extend over all functions and to all levels of authority. If delegation is practiced systematically in all function and divisions of the company and for a wide range of authorities and responsibilities, we should say the company is highly decentralized.

Again, decentralization of authority should not be confused with physical decentralization or dispersal of location of activities. Physical decentralization may or may not be decentralization of authority. In fact the two may move in the opposite direction. There may be greater decentralization of authority with a high degree of centralization of activities or vice versa. Decentralization of authority is more likely to be found in widely dispersed operations.

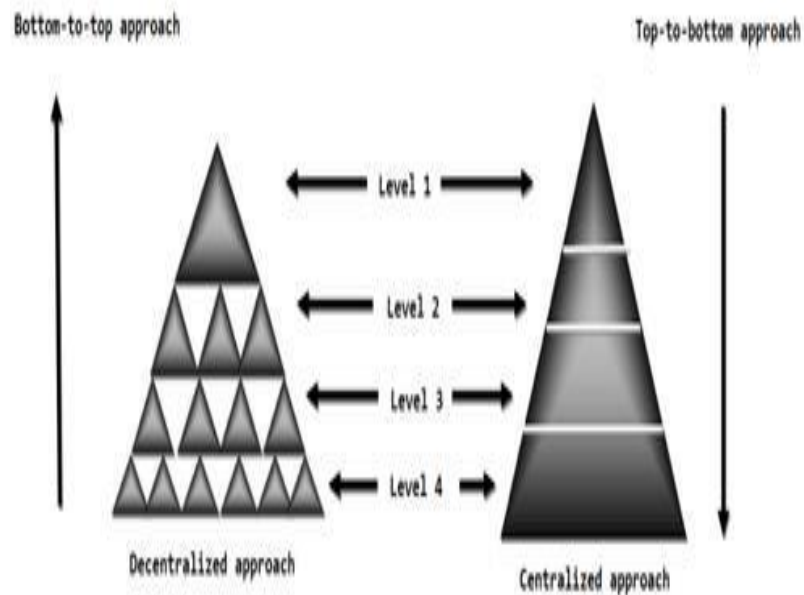
Some degree of decentralization is present in all Organizational structures. The degree of decentralization may vary in different concerns. The opposite of decentralization, that is absolute centralization of authority in the hands of top management, is rarely seen. In fact neither complete decentralization nor absolute centralization is possible to achieve in any Organizational structure. An admixture of the two in varying proportions is more feasible and practical. When the structure leans more towards centralization it is called centralized structure, and when it leans the other way it is called a decentralized structure. The degree of centralization and decentralization will depend upon the amount of authority delegated to the lowest level. According to Allen, "Decentralization refers to the systematic effort to delegate to the lowest level of authority except that which can be controlled and exercised at central points. Some of the most popular and commonly accepted definitions include : **Henry Fayol**, that says, "Everything that goes to increase the importance of the subordinate's role is decentralization, everything that goes to reduce it is centralization." Further, according to **Louis Allen**, "decentralization refers to the systematic effort to delegate to the lowest levels all authority except that which can only be exercised at central point." This definition makes it clear that even in decentralization, delegation to the lowest

levels is not complete as the basic functions in the management process are centralized.

7.4.2 Centralization vs. Decentralization

Centralization is the process where the authority and power of an organization is in the hands of only a few. This power includes activities such as planning, decision-making and delegating authority. The top management takes all the important decisions if an organization is centralized. These decisions are then enforced on the lower tiers of the organization. This kind of a trend is usually followed in company where the Head of the organization has a particular future for the organization in mind, and wants to control it as much as possible to reach those goals. However, these days a centralized distribution of power is rare.

As organizations grow bigger these days, the power is distributed at different levels to be able run the organization more efficiently. This is called decentralization. Thus, decentralization can be defined as the delegation of authority at all levels of an organization. In a decentralized organization, a lot of the decision-making is delegated to the lower levels of the organizational structure. Due to the shared decision-making, the chances of being able to make improvements increases. A decentralized structure follows a bottom-to-top approach. Thus, if the lowest tier faces an issue, they are in a better position to suggest improvements and, with a few approvals, can apply changes. This allows the application of changes and improvement with minimal delay. It is obvious that the top management will not have all the required information and firsthand experience to deal with the issues that crop up on the field. Such issues are better solved by those directly dealing with the issue rather than waiting for decisions from top management.



Advantages of Decentralization over Centralization

Decentralization is favoured over centralization for many reasons. Some of these are given below.

1. Relieves the top management from dealing with mundane issues, so that they can concentrate on the daunting tasks that are faced by an organization.
2. Since many of the decisions have to be made by lower level managers, this not only gives them a chance to display their decision-making skills, but also gives them the experience they would have missed in a centralized organization.
3. The increased responsibilities of the lower level managers, increases their enthusiasm for work and acts as a motivator.
4. Decentralization has more scope for diversification.
5. Makes an organization flexible to minor changes.
6. Decision-making at lower levels for certain problems is better, as the lower level managers have a more in-depth knowledge of the situation, and can hence handle it better.

Advantages of Centralization over Decentralization

Even though centralization is not preferred anymore, it did have a few advantages.

1. Singular point of control, which helps make bigger decisions easier, as the top level managers have a better picture of the organization as a whole and are better equipped to make important decisions as compared to a lower level manager.
2. The implementation of an idea, process or policies is easier in a company that has a strong central direction as compared to a decentralized organization.
3. Due to a single vision of the head of the company, the organization can work towards a single goal, which would not be possible in a decentralized organization due to individual manager goals.
4. Centralization allows corporate decision makers respond better and faster in urgent situations which require quick decisions.

7.4.3 Implications of Decentralization

There are fewer burdens on the Chief Executive as in the case of centralization.

1. In decentralization, the subordinates get a chance to decide and act independently which develops skills and capabilities. This way the organization is able to process reserve of talents in it.
2. In decentralization, diversification and horizontal can be easily implanted.

3. In decentralization, concern diversification of activities can place effectively since there is more scope for creating new departments. Therefore, diversification growth is of a degree.
4. In decentralization structure, operations can be coordinated at divisional level which is not possible in the centralization set up.
5. In the case of decentralization structure, there is greater motivation and morale of the employees since they get more independence to act and decide.
6. In a decentralization structure, co-ordination to some extent is difficult to maintain as there are lot many department divisions and authority is delegated to maximum possible extent, i.e., to the bottom most level delegation reaches. Centralization and decentralization are the categories by which the pattern of authority relationships became clear. The degree of centralization and decentralization can be affected by many factors like nature of operation, volume of profits, number of departments, size of a concern, etc. The larger the size of a concern, a decentralization set up is suitable in it.

7.4.4 Benefits and Limitations of Decentralization

Benefits of Decentralization

The following benefits are said to accrue from decentralization of authority

1. **Reduction of burden on top executive** : In a centralized structure the top executive alone has to bear the entire burden of decision-making. This reduces his capacity to concentrate on overall planning and policy-making function which he alone can do. Decentralization of authority results in dispersal of the function of decision-making to all levels of the Organization. Since executives at lower levels of administration share the burden of decision making, the top executive is relieved of much of his burden and is free to concentrate on major issues. This is all the more important in the case of an enterprise with expanding size.
2. **Improvement of morale and motivation** : Decentralization promotes the improvement of morale and motivation of subordinates which is reflected in better performance. Delegation of greater authority and power of decision-making associated with more freedom of action promotes development of initiative and sense of the local managers. With greater opportunity of communication and leadership, the local managers can foster team spirit and group-cohesion among his subordinates which again helps in improving their morale and motivation.
3. **Development of managerial qualities of executive** : In a centralized set up the departmental managers and executives do not get the opportunity to develop their qualities for overall managerial positions. They merely function as specialists in their narrow spheres. In a decentralized structure, the greater power and freedom of action enjoyed by them and the greater scope for initiative and responsibility give them an opportunity to develop talents required for overall managerial positions.

4. **Facilities for diversification:** Decentralization helps in diversification of activities or product line. In a centralized set-up with concentration of authority in one or a few hand, it is difficult to carry out diversification of activities by opening up new lines of manufacture or marketing. The tendency for a centralized set-up, likely a centralized sales department, is to stick to the old established product or distribution lines rather than exploiting potentialities of new but growing fields.
5. **Better co-ordination of operations:** Decentralization ensures better co-ordination of activities or operations. In a centralized set-up co-ordination takes place at the topmost level and because of the lengthy channel of communication, co-ordination is hampered. But in a decentralized set-up operations can be co-ordinated at the unit or divisional level which is much better.
6. **Ensures effective control:** In a decentralized set-up, establishment of standards and measurement of performance of operations at the divisional level are easier and enable management to exercise more effective control over operations. Results can be compared with standards more quickly and prompt decisions can be taken to correct shortfalls in performance.

Limitations of Decentralization

1. Although decentralization has many distinct advantages which account for its popularity with large and expanding enterprises, nevertheless there are serious limitations to its application to all cases and in all situations. The limitations are briefly enumerated below:
2. The operating cost of decentralized organization is high. Setting up of more or less self-sufficient and autonomous divisional units involves duplication of functions and equipments which increases the cost of operations. Only large enterprises can afford such high costs.
3. In order to set up a decentralized organization it is necessary that the enterprise should have operations spread over a wide region and involving several products so that these may be divided for adopting divisional structure. However, all enterprises or operations do not lend to such divisibility.
4. The wide dispersal of authority under a decentralized set-up creates problems of co-ordination among the various divisions.
5. Decentralized set-up requires that sufficient number of competent executives who can be entrusted with the authority for decision-making will be available for manning the division. Such competent executives capable and willing to assume such heavy responsibility are not always available.
6. Where uniform of action is essential or the same policy has to be followed uniformly by all the divisions, as in a public utility, decentralization is not possible as the divisional units cannot be granted such autonomy as is found in a decentralized set-up.

7.4.5 Importance of Decentralization

The importance of decentralization is listed as under:

1. Decentralization helps to improve the quality of decisions/decision-making at the top level management: Decentralization of authority among other executives at all levels in the Organization relieves the top executive of the excessive burden saving his valuable time, which he can devote to more important and long-term problems. This is bound to improve the quality of his decisions regarding such problems.

2. Decentralization facilitates diversification of activities: It is a matter of common experience that an Organization with departmentation on the basis of products facilitates diversification of products or market even when the authority is centralized. Decentralization takes this process a step further. Managers of semi-autonomous product divisions are able to utilize their skills and experienced judgment. This has a bearing on their products and the market. The enterprise also attains maximum possible growth. Decentralization is beneficial when new product lines or new activities are introduced in an Organization. Such policy creates self sufficient units under overall co-ordination of top level management.

3. Decentralization encourages development of managerial personnel: Most companies find lack of managerial talent as a limiting factor in their growth. A company cannot expand effectively beyond the scope and abilities of its managerial personnel. Capable managers, however, can be developed only by giving managerial jobs to suitable persons and delegating them the authority to make important decisions. Such wide exposure gives them opportunity to grow and to have self development for higher positions. The more talented and capable persons will learn and improve and qualify themselves for higher managerial positions. Only a decentralized Organization can offer such opportunities to future managers without involving additional expenditure. A decentralized Organization also allows its managers adequate freedom to try new ideas, methods or techniques. In brief, decentralization creates a team of competent managers at the disposal of the company.

4. Decentralization improves motivation: Research conducted by social scientists has proved that the Organization structure itself exercises some influence on the motivation of the people working within it. An Organization structure which facilitates delegation, communication and participation also provides greater motivation to its managers for higher productivity. Decentralized Organization structure is most favorable for raising the morale and motivation of subordinates which is visible through better work performance.

5. Decentralization makes decision-making quicker and better: Since decisions do not have to be referred up through the hierarchy, quicker and better decisions at lower levels can be taken. Divisional heads are motivated to make such decisions that will create the maximum profit because they are held

responsible for the effect of their decisions on profits. Thus decentralization facilitates quick and result-oriented decisions by concerned persons.

6. Decentralization provides opportunity to learn by doing: Decentralization provides a positive climate where there is freedom to make decisions, freedom to use judgment and freedom to act. It gives practical training to middle level managers and facilitates management development at the enterprise level.

7.4.6 Factors for determining effective decentralization:

Factors important for ensuring effective decentralization are:

1. Size of Organization: - Decentralization depends upon size of organization. Larger the size of organization more the number of decision making areas will be there. So it will not be possible for single head to make all the decisions alone. Also the decision making process will be slow as communication process will be very long. Therefore need of decentralization would be more important.

2. History of organization:- Decentralization depends upon how the organization developed over the period of time. Normally those organizations which expand under the direction of owner-founder show resistance to decentralization.

3. Management philosophy: The character of top leader of organization influence the extent of authority is centralized or decentralized.

4. Availability of managers: - The shortage of quality manager also influences the extent of authority to be decentralized. If good managers are available then there is more possibility of decentralization of work.

5. Costliness of decision: - The costliness of decisions in most important factor that effect the decentralization process. Decisions involving heavy costs or investment will be with top management like decision making for purchasing capital goods, land or machinery will be with top management and purchase of normal routine goods like daily stationary furniture will be made by department.

6. Rate of change in organization: - The rate of change in organization also affects the decentralization decision. If the organization is fast developing and it is facing problems of expansion there is more chances of decentralization of authority for reducing burden from top management.

7. Nature of activities: - The nature of operations also determine the extent of decentralization i.e. whether the operation of organization are concentrated at one place or region or dispersed over different areas. If activities are dispersed in different territories then decentralization is must.

7.5 Delegation and decentralization: Relationship Matrix

Delegation and decentralization of authority are closely related. Decentralization is an expansion of delegation of authority. While in delegation authority is transferred on one to one basis from the superior to subordinate; decentralization of authority is broader in scope and involves the transfer of authority in the organization context from top

to lower levels of management in the hierarchy. Thus the greater amount of authority delegated throughout the organization, the more decentralized the organization is. The following table explains the relationship matrix that exists between delegation and decentralization

| Basis | Delegation | Decentralization |
|-------------------------|---|--|
| Meaning | Managers delegate some of their function and authority to their subordinates. | Right to take decisions is shared by top management and other level of management. |
| Scope | Scope of delegation is limited as superior delegates the powers to the subordinates on individual bases. | Scope is wide as the decision making is shared by the subordinates also. |
| Responsibility | Responsibility remains of the managers and cannot be delegated | Responsibility is also delegated to subordinates. |
| Freedom of Work | Freedom is not given to the subordinates as they have to work as per the instructions of their superiors. | Freedom to work can be maintained by subordinates as they are free to take decision and to implement it. |
| Nature | It is a routine function | It is an important decision of an enterprise. |
| Need on purpose | Delegation is important in all concerns whether big or small. No enterprises can work without delegation. | Decentralization becomes more important in large concerns and it depends upon the decision made by the enterprise, it is not compulsory. |
| Grant of Authority | The authority is granted by one individual to another. | It is a systematic act which takes place at all levels and at all functions in a concern. |
| Grant of Responsibility | Responsibility cannot be delegated | Authority with responsibility is delegated to subordinates. |
| Degree | Degree of delegation varies from concern to concern and department to department. | Decentralization is total by nature. It spreads throughout the organization i.e. at all levels and all functions |

| | | |
|-------------------|---|--|
| Process | Delegation is a process which explains superior subordinates relationship | It is an outcome which explains relationship between top management and all other departments. |
| Essentiality | Delegation is essential of all kinds of concerns | Decentralization is a decisions function by nature. |
| Significance | Delegation is essential for creating the organization | Decentralization is an optional policy at the discretion of top management. |
| Withdrawal | Delegated authority can be taken back. | It is considered as a general policy of top management and is applicable to all departments. |
| Freedom of Action | Very little freedom to the subordinates | Considerable freedom |

In nutshell, Decentralization can be called as extension of delegation. When delegation of authority is done to the fullest possible extent, it gives use to decentralization.

7.6 Conclusion

Decentralization in some form is present in every Organizational structure where there is delegation of authority. Since delegation is an essential process of Organization, it may be said that some degree of decentralization of authority is to be found in all Organizational structures.

Therefore, Delegation and decentralization are the most important issues in the successful applications of management in any Organization. Delegation of authority means giving work to others and giving them the authority to do this work. Delegate means to hand over or give. In Decentralization, the authority is distributed to all the levels of management. Moreover, Delegation is the cause of decentralization, whereas, Decentralization is the effect (i.e. a result) of delegation.

The need of delegation and decentralization is evident, for all Organizations. It helps in division of work and reduction of complexity in the working of Organizational procedures. It helps in saving more time for policy formulation and planning. It has an educative value and provides an opportunity to the subordinates to shoulder the responsibilities with volunteerism and efficiency. It brings flexibility in the working of an Organization. It makes the administration of an Organization efficient by raising the morale of its employees.

In fact, decentralization is the policy of delegating decision making authority down to the lower levels in an organization, relatively away from and lower in a central authority. A decentralized organization shows fewer tiers in the organizational structure, wider span of control, and a bottom-to-top flow of decision-making and

flow of ideas. In a more decentralized organization, the top executives delegate much of their decision-making authority to lower tiers of the organizational structure. As a correlation, the organization is likely to run on less rigid policies and wider spans of control among each officer of the organization. The wider spans of control also reduce the number of tiers within the organization, giving its structure a flat appearance. One advantage of this structure, if the correct controls are in place, will be the bottom-to-top flow of information, allowing decisions by officials of the organization to be well informed about lower tier operations.

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7.8 Progress Review: Objectives and Fill in the blanks

1. The goal of delegation is _____.
2. _____ is the process of getting results accomplished through others.



3. Process of Delegation of Authority has _____ number of stages.
4. In what type of organization is decision-making authority spread throughout the organization?
 - a) Centralized organization
 - b) Decentralized organization
 - c) Participative organization
 - d) Top-down organization
5. Which of the following is NOT an advantage of decentralization?
 - a) Allows top managers to focus on strategic issues
 - b) Potential duplication of resources
 - c) Allows for development of managerial expertise
 - d) Managers can react quickly to local information
6. Which of the following is not a elements og delegation
 - a) Authority
 - b) Responsibility
 - c) Accountability
 - d) Power

Keys:

1. Workload distribution
2. Delegation
3. Four
4. (b)
5. (b)
6. (d)

7.9 Exercises

1. What is delegation? Explain it process
2. How is delegation important for an organization?
3. Distinguish between different types of delegation.
4. Explain any three principles of delegation.
5. What are the hindrances to delegation?

6. What do you understand by decentralization, how is it different to centralization.
7. Highlight the factors that determine effective decentralization.
8. Discuss the relationship matrix that exists between delegation and decentralization.

UNIT 8 SPAN OF CONTROL AND TYPES OF ORGANIZATION

Structure

- 8.1 Introduction
- 8.2 Objective
- 8.3 Span of Control
 - 8.3.1 Span of Control: Concept, meaning and definition
 - 8.3.2 Determination of Span of Control
 - 8.3.3 Factors Affecting Span of Control
 - 8.3.4 Types of Span of Control
- 8.4 Types of Organization
 - 8.4.1 Organization: Meaning and Definition
 - 8.4.2 Types of Organization
- 8.5 Conclusion
- 8.6 References
- 8.7 Progress Review
- 8.8 Exercise

8.1 Introduction

Span of control or span of management is a dimension of organizational design measured by the number of subordinates that report directly to a given manager. This concept affects organization design in a variety of ways, including speed of communication flow, employee motivation, reporting relationships, and administrative overhead. Span of management has been part of the historical discussion regarding the most appropriate design and structure of organizations. Span of control plays an important role in organizations and has implications for organizational structure, how decisions are made, and the interactions between supervisors and subordinates. Traditionally, span of control is defined and measured as the number of direct subordinates a manager supervises. Since all managers “manage” at least one subordinate, span of control applies to managers at all levels throughout the organization.

8.2 Objectives

The objectives of this unit are:

- To understand the concept of Span of Control
- To understand the factors affecting span of Control
- To explain the various types of Span of Control
- To discuss the concept of Organization and its typology.

8.3 Span of Control

8.3.1 Span of Control: Concept Meaning and Definition

The concept of Span of Control was developed, introduced and popularized by British Army General Sir Ian Standish Monteith Hamilton (1853-1947) through his 1921 published book titled "The soul and body of an army." Sir Ian Hamilton's concept of Span of control was supported and later expanded by management experts like V.A. Graicunas and Lyndall F. Urwick.

The term Span of Control is made of two words, viz., "Span" and "Control".

Span's literary meaning says, it is the distance between the tip of a thumb and small finger when palm of hand is fully stretched out. However, in terms of management and administration, it means the maximum extend or the number of people that can be reached by.

Control in literary means an ability to instruct, check, adjust or manipulate something as per once's preferred requirement, choice or expectation. However,

in terms of management and administration, it refers to an authoritative power to direct, order or restrain.

Span of Control in management and administration thus refers to the total number of people (here, subordinates or employees working under) whom a manager or an administrator can effectively control and supervise.

According to Louis Allen, "Span of control refers to the number of people that a manager can supervise."

According to Prof. Dimock, "The span of control is the number and range of direct, habitual communication contacts between the Chief Executive of an enterprise and his principal fellow officers."

So, span of control means the number of subordinates whom a superior (manager or administrator) can effectively supervise. Every superior can supervise a limited number of subordinates (employees). Therefore, every superior should be assigned or given an authority to handle only few subordinates.

According to most management experts, at the top level of management, the span of control should not be more than 1:6 while at the lower level of management, the span of control should not be more than 1:20. This means, the superior at the top level should not have more than 6 subordinates under his control. Similarly, the superior at the lower level should not have more than 20 subordinates under his control. However, these are only theoretical figures. In practice, the span of control depends on many factors such as nature of work, ability of superior, ability of subordinates, etc.

Span of Control is also referred by many other names. It is often known as 'Span of Supervision' or 'Span of Management' or 'Span of Attention'. However, the management literature show that span of control, span of management or span of supervision are used to denote the same concept of number of subordinates which should be put under one superior. Span of control refers to the number of subordinates who can be managed effectively by a superior. The number of subordinates who report to a superior has two important applications.

1. It helps in determining the complexity of individual manager's jobs.
2. It determines the shape or configuration of the organisations, the fewer the number of people reporting to the superior, the larger the number of managers required. Therefore, the number of subordinates reporting to a superior should be fixed which in any case cannot go beyond a certain limit.

The grouping of activities to create various departments presents another problem, that is, how many individuals should be placed under one superior. This problem is related to the horizontal dimension of an organization structure.

Span of control refers to the number of subordinates who can be controlled effectively by a superior. The number of subordinates who report to a superior has two important implications. First, it is influential in determining the complexity of

individual manager's jobs. Second, the span of management determines the shape or configuration of the organization: the fewer the number of people reporting to the superior, the larger the number of managers required. Therefore, the number of subordinates reporting to a superior should be fixed which in any case cannot go beyond a certain limit. However, Soujanen has suggested that Span of control is a traditional concept and is not valid because the coordination and control can be achieved through formal and informal group activity. The replacement of old system of individual control by control through management team has changed the whole system of communication and contact in the organization which has affected attention paid to the way executive controls in the command sense. However Soujanen's contention that modern social science concepts have modified the concept of traditional span of management drew a sharp reaction from Urwick. He brought an article in response and suggested that the contention of Soujanen was wrong and span of control principle held valid.

8.3.2 Determination of Span of Control

No doubt, management thinkers agree that Span of control principle holds true but they do not agree about the number of subordinates that can be put under one superior. The classical approach to the span of control has dealt with generalization embodying specific number of subordinates for effective span. The classical writers have suggested between three to eight subordinates as ideal depending on the levels of management with lower the level of management, higher the number of subordinates based on mathematical calculation. He has analyzed superior-subordinate relationships and developed mathematical formulae. Graicunas has identified three types of superior subordinate's relationships: direct single relationships, direct group relationships, and cross relationships.

1. Direct Single Relationships: Direct single relationships arise from the direct individual contacts of the superior with his subordinates. Thus, if there are three subordinates A, B, C under one superior X, there will be three direct single relationships.

2. Direct Group Relationship: Direct group relationships arise between the superior and his subordinates in all possible combinations. Thus, the superior may consult his subordinates with one or more providing assistance. With three subordinates, there will be none such relationships like A with B, A with C, and so on with the superior associated with all groups.

3. Cross Relationships: Cross relationships arise because of mutual interaction of subordinates working under the common superior such as A and B, A and C, B and A, and so on. The relationship is quite different between A and B than B and A from management point of view because the type of interaction will be different in both the cases. There are six such relationships with three subordinates.

Graicunas has given formulae to find out various relationships with varying number of subordinates. With number of subordinates being n , the number of various relationships will be as follows:

Direct single relationships = n

Direct group relationships = $n\{2(n-1)-1\}$

Cross relationships = $n(n-1)$

Total relationships = $n[2/2n+n-1]$

This formula suggests that while the number of subordinates increases in arithmetical progression, the number of relationships increases in geometrical progression as shown in table 1

According to Graiunas, most ideal span for a manager is six subordinates involving 222 relationships. No doubt, Graicunas has given a mathematical treatment of the problem of fixing the span for managers, showing how the problem of managing subordinates increases with the increase in the number of subordinates; his contribution suffers from a basic limitation. All the relationships are not equally important from management point of view and, therefore, these cannot increase the complexity of managing. Moreover, Graicunas has not considered many other possible relationships particularly in cross relationships. Therefore, span based on mere number of relationships cannot be fixed.

Table 2: Relationships with variable number of subordinates

| Number of subordinates | Number of relationships |
|------------------------|-------------------------|
| 1 | 1 |
| 2 | 6 |
| 3 | 18 |
| 4 | 44 |
| 5 | 100 |
| 6 | 222 |
| 8 | 1,080 |
| 10 | 5,210 |
| 12 | 24,708 |
| 18 | 23,59,602 |

The recognition that potential management effectiveness is limited as the number of subordinate's increases has led others to propose definite limits on the span of management. For example, Davis distinguishes between two categories of span of control, an executive span and an operative span, Executive span includes the middle and top management positions in an organization. The span for these managers should vary from three to nine, depending on the nature of managers' job and responsibilities and the rate of growth of the organization. The operative span applies to the lowest level of management and it can be effective with as many as 30 subordinates. Similarly, Urwick has proposed span for top management as four but it may be between eight and twelve for supervisory management. Thus, span of management has been suggested differently by various writers. Further, differences also exist for different levels of

management. Therefore, it is desirable to identify those factors which affect the span of management.

8.3.3 Factors Affecting Span of Control

The basic idea behind limiting the span of management is to enable a manager to manage and control his subordinates effectively. As such the important determinant for specifying the span of management is the manager's ability, in turn, is affected by several factors. Therefore, such factors are quite important in determining the suitable span of control. Following are such factors:

1. Capacity of Superior

Each manager has different ability and capacity in respect of such factors as leadership, communication, decision making, control etc. affecting management of subordinates. Managers having more capacity in respect of these factors personality factors of the manager also determine has span of management. For example, any empire builder may like to have wider span as compared to a submissive manager.

2. Capacity of Subordinates

Capacity of subordinates also affects the degree of span of management. Efficient and trained subordinates may discharge their functions more efficiently without much help of their superior. They may just need broad guidelines and rest of the things can be performed by them. In such cases, they require lesser time from their superior who will be in a position to manage larger number of subordinates. Similarly, if there is no frequent changes in subordinates, span can be wider.

3. Nature of Work

Nature of work affects degree of span of management because different subordinates are performing similar functions, they require less attention of their superiors. If subordinates are performing similar functions, they require less attention of their superior and span can be wider. For example, a study discloses that mean span of management in the case of supervisors supervising similar work was 16 as against only 6.7 for those supervising different works. Similarly, rate of change in the work also affects the span of management. For example, Woodward's study suggests that in the case of mass production and assembly line technology, the span is highest. Similarly, in unit and batch production, span is higher than process production.

4. Degree of Decentralization

Degree of centralization or decentralization affects span of management by affecting the degree of involvement of the superior in decision-making process. Thus, higher is the degree of decentralization; higher is the degree of span. If a manager clearly delegates his authority and defines it fully, he requires less time to devote to manage his subordinates because most of the actions will be taken by the subordinates on their own. In the case of centralization of authority or ambiguity in delegation of authority, the subordinates would require considerable

consultation, clarification, and instructions from their superior. This will require more time on the part of the superior and his span will be narrow.

5. Degree of Planning

Higher is the degree of plans, particularly standing plans clearly providing rules, procedures, methods, etc., in doing the work; higher would be the degree of span of management. In such cases, the subordinates can take actions on their own. On the other hand, if they have to draw their own plans, they may not know what exactly they have to do and they may require more time for guidelines and consultation. In a situation, where the production foremen were performing repetitive work with well-formulated standing plans, span average between 60-70.

6. Communication Techniques

The pattern of communication, its means, and media affect the time requirement in managing subordinates and consequently span of management. If communication is mostly face to face, it requires more time on the part of both superior and subordinates. On the other hand, communication with staff assistant and through the use of modern communication tools like electronic devices will save lot of time and span can be increased.

7. Use of Staff Assistance

Use of staff assistant in reducing the work load of managers enables them to manage more number of subordinates. Many of the managerial functions can be discharged by these staff personnel on behalf of the managers. They can collect information, process communication, and issue orders and instructions on behalf of their superior. This process saves time of managers and the degree of span can be increased.

8. Supervision from Others

It is not very uncommon that a subordinate receive supervision from several other personnel besides his direct superior. In such a case, the work load of direct superior. In such a case, the work load of direct superior is reduced and he can supervise more number of subordinates.

The trend is changing towards getting supervision from many persons. For example, Udell has found that it is not uncommon that men in the organizations receive 50 percent or more of their supervision from someone else than their own immediate superior. He has found that where people were getting supervision from others also besides from their own superior, the average span was 17.6 as compared to 9.7 for those not getting supervision from others.

The analysis of various factors affecting span of management suggests that there cannot be any fixed number of subordinates under one superior. Rather, the span should be decided taking the various factors into account. Therefore, the span of management may vary in the same organization for different levels of management and functions, and also in different organizations for similar functions and level of management.

Various research studies have suggested the actual span of management followed under various situations. On the basis of review of such studies, House and Miner conclude that:

1. Under most circumstances, the optimal span is likely to be in the range of 5 and 10.
2. The larger spans, say 8 to 10, are most appropriate at the highest policy-making levels of the organization where greater resources for diversified problem solving appear to be needed;
3. The breadth of effective spans of first-line supervisors is contingent on the technology of the organization; and
4. In prescribing the span of control for specific situations, considerations are given to a host of local factors such as desirability of high group cohesiveness, the performance demands of the task, the degree of stress in the environment, task interdependencies, and the need of the members' satisfaction, and the leadership skills available to the organization.

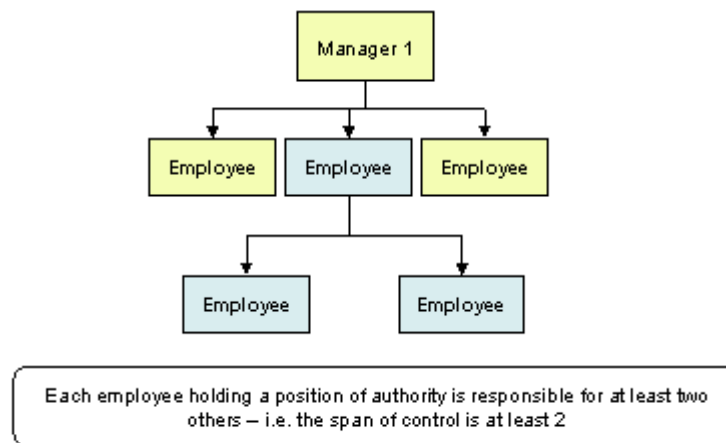
8.3.4 Types of Span of Control

Span of control is a span of supervision which depicts the number of employees that can be handled and controlled effectively by a single manager. According to this principle, a manager should be able to handle what number of employees under him should be decided. This decision can be taken by choosing either from a wide or narrow span. There are two types of span of control:-

- A. **Narrow span of control-** According to this span, the work and authority is divided amongst many subordinates and a manager doesn't supervise and control a very big group of people under him. The manager according to a narrow span supervises a selected number of employees at one time. The features are:-
- i. Work which requires tight control and supervision, for example, handicrafts, ivory work, etc. which requires craftsmanship, there narrow span is more helpful.
 - ii. Co-ordination is difficult to be achieved.
 - iii. Communication gaps can come.
 - iv. Messages can be distorted.
 - v. Specialization work can be achieved.

An example of a narrow span of control is shown in the diagram below:

Example of a Narrow Span of Control



The advantages of a narrow span of control are:

- A narrow span of control allows a manager to communicate quickly with the employees under them and control them more easily
- Feedback of ideas from the workers will be more effective
- It requires a higher level of management skill to control a greater number of employees, so there is less management skill required

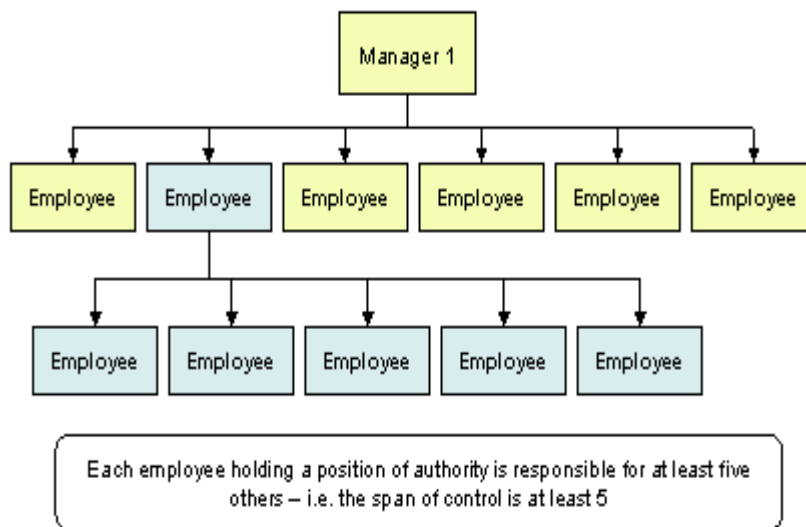
B. **Wide span of control**- It is one in which a manager can supervise and control effectively a large group of persons at one time. According to this span, one manager can effectively and efficiently handle a large number of subordinates at one time.

The features of this span are:-

- i. Less overhead cost of supervision
- ii. Prompt response from the employees
- iii. Better communication
- iv. Better supervision
- v. Better co-ordination
- vi. Suitable for repetitive jobs

An example of a wide span of control is shown in the diagram below:

Example of a Wide Span of Control



The advantages of wide span of control are:

- There are less layers of management to pass a message through, so the message reaches more employees faster
- It costs less money to run a wider span of control because a business does not need to employ as many managers

8.4 Organization

8.4.1 Organization: Meaning and Definition

Organization is one important element of the management process. It is next to planning. In management, organization is both the process as well as the end-product of that process which is referred to as organization structure. Such structure acts as the foundation on which the whole super-structure of management is built. Sound organization structure is essential for the conduct of business activities in an efficient manner. It is within the framework of the organization that the whole management process takes place. The success of the management process will be determined by the soundness of the organization structure. Organizing involves integration of resources in order to accomplish the objectives.

Different authors have defined organization in different ways. The main definitions of organization are as follows:

According to Keith Davis, "Organization may be defined as a group of individuals, large or small, that is cooperating under the direction of executive leadership in accomplishment of certain common objects."

According to Chester I. Barnard, "Organization is a system of co-operative activities of two or more persons."

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

According to Mooney and Railey, "Organization is the form of every human association for the attainment of a common purpose."

Organization has been defined by **E. F. L. Breach** as "a system of structural interpersonal relationships. In it, individuals are differentiated in terms of authority, status and roles with the result that personal interaction is prescribed, and anticipated reactions between individuals tend to occur while ambiguity and spontaneity are decreased".

Thus, Organization involves the following aspects:-

- a. Identifying the activities required to achieve organizational objectives.
- b. Grouping up of these activities into workable units (Departmentation).
- c. Assigning duties and responsibilities to subordinates in order to achieve the tasks assigned.
- d. Delegating authority necessary and useful for the accomplishment of tasks assigned.
- e. Establishing superior-subordinate relationship.
- f. Providing a system of co-ordination for integrating the activities of individuals and departments.

On the basis of the above discussed definitions it can be concluded that; organizing means arranging the ways and means for the execution of business plan; it is the creation of administrative set-up for the execution of the plan; It suggests the framework within which the management functions; Organization provides mechanism for integrated and co-operative action by two or more persons with a view to implementing any plan; Organization facilitates efficient administration, direction and control. It avoids wastage of raw materials and human efforts. Therefore, every management has to establish its own organization structure for efficient conduct of business activities

There are different structures which can be given to an organization. They include line, functional and so on. An organization deals with a number of elements which defines the relationships between the members of a group. It is concerned with the channels of communication and lines of authority. It also defines the degree of authority and responsibility of each person in the organization. In short, organization clarifies relationships and provides a framework within which all managerial actions take place.

8.4.2 Types of Organisation

An organisation is a social group which distributes tasks for a collective goal. The word itself is derived from the Greek word organon, itself derived from the better-known word ergon - as we know `organ` - and it means a compartment for a particular job. There are a variety of types of organisations, including: corporations, governments, non-governmental organisations, international organisations, armed forces, charities, not-for-profit corporations, partnerships, cooperatives, and universities. A hybrid organisation is a body that operates in both the public sector and the private sector, simultaneously fulfilling public duties and developing commercial market activities. As a result the hybrid organization becomes a mixture of a government and a corporate organisation.

In the social sciences, organisations are the object of analysis for a number of disciplines, such as sociology, economics, political science, psychology, management, and organisational communication. The broader analysis of organisations is commonly referred to as organisational structure, organisational studies, organisational behavior, or organisation analysis. A number of different perspectives exist, some of which are compatible:

- From a process-related perspective, an organization is viewed as an entity is being (re-) organized, and the focus is on the organization as a set of tasks or actions.
- From a functional perspective, the focus is on how entities like businesses or state authorities are used.
- From an institutional perspective, an organization is viewed as a purposeful structure within a social context.

The study of organizations includes a focus on optimizing organizational structure. According to management science, most human organizations fall roughly into four types:

- A. Pyramids or hierarchies
- B. Committees or juries
- C. Matrix organizations
- D. Ecologies

A. PYRAMIDS OR HIERARCHIES

A hierarchy exemplifies an arrangement with a leader who leads other individual members of the organization. This arrangement is often associated with bureaucracy.

These structures are formed on the basis that there are enough people under the leader to give him support. Just as one would imagine a real pyramid, if there are not enough stone blocks to hold up the higher ones, gravity would irrevocably bring down the monumental structure. So one can imagine that if the leader does not have the support of his subordinates, the entire structure will collapse. Hierarchies were satirized in *The Peter Principle* (1969), a book that introduced hierarchiology

and the saying that "in a hierarchy every employee tends to rise to his level of incompetence."

B. COMMITTEES OR JURIES

These consist of a group of peers who decide as a group, perhaps by voting. The difference between a jury and a committee is that the members of the committee are usually assigned to perform or lead further actions after the group comes to a decision, whereas members of a jury come to a decision. In common law countries, legal juries render decisions of guilt, liability and quantify damages; juries are also used in athletic contests, book awards and similar activities. Sometimes a selection committee functions like a jury. In the Middle Ages, juries in continental Europe were used to determine the law according to consensus amongst local notables.

Committees are often the most reliable way to make decisions. Condorcet's jury theorem proved that if the average member votes better than a roll of dice, then adding more members increases the number of majorities that can come to a correct vote (however correctness is defined). The problem is that if the average member is subsequently *worse* than a roll of dice, the committee's decisions grow worse, not better: Staffing is crucial.

Parliamentary procedure, such as Robert's Rules of Order, helps prevent committees from engaging in lengthy discussions without reaching decisions.

C. MATRIX ORGANIZATION

This organizational type assigns each worker two bosses in two different hierarchies. One hierarchy is "functional" and assures that each type of expert in the organization is well-trained, and measured by a boss who is super-expert in the same field. The other direction is "executive" and tries to get projects completed using the experts. Projects might be organized by products, regions, customer types, or some other schema.

As an example, a company might have an individual with overall responsibility for Products X and Y, and another individual with overall responsibility for Engineering, Quality Control etc. Therefore, subordinates responsible for quality control of project X will have two reporting lines.

D. ECOLOGIES

This organisation has intense competition. Bad parts of the organisation starve. Good ones get more work. Everybody is paid for what they actually do, and runs a tiny business that has to show a profit, or they are fired. Companies who utilize this organisation type reflect a rather one-sided view of what goes on in ecology. It is also the case that a natural ecosystem has a natural border - ecoregions do not in general compete with one another in any way, but are very autonomous. The pharmaceutical company GlaxoSmithKline talks about functioning as this type of organization.

8.5 Conclusion

Thus, span of control means the number of subordinates whom a superior (manager or administrator) can effectively supervise. Every superior can supervise a limited number of subordinates (employees). Therefore, every superior should be assigned or given an authority to handle only few subordinates. According to most management experts, at the top level of management, the span of control should not be more than 1:6 while at the lower level of management, the span of control should not be more than 1:20. This means, the superior at the top level should not have more than 6 subordinates under his control. Similarly, the superior at the lower level should not have more than 20 subordinates under his control. However, these are only theoretical figures. In practice, the span of control depends on many factors such as nature of work, ability of superior, ability of subordinates, etc.

The framework, typically hierarchical, within which an organization arranges its lines of authority and communications, and allocates rights and duties. Organizational structure determines the manner and extent to which roles, power, and responsibilities are delegated, controlled, and coordinated, and how information flows between levels of management. An structure depends entirely on the organization's objectives and the strategy chosen to achieve them. In a centralized structure, the decision making power is concentrated in the top layer of the management and tight control is exercised over departments and divisions. In a decentralized structure, the decision making power is distributed and the departments and divisions have varying degrees of autonomy. An organizational chart illustrates the organizational structure.

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8.7 Progress review:

Objectives and Fill in the blanks:

1. _____ refers to the number of subordinates who can be managed effectively by a superior.
2. _____ is the pattern in which various parts or components is interrelated or interconnected.
3. Membership in an _____ organisation is voluntary.
4. Which one of the following is not an approach for organisational design?
 - a. Result approach
 - b. Process approach
 - c. Authentic approach
 - d. Decision approach
5. In which respect, does formal organisation differ from that of informal organisation?
 - a. Structuring
 - b. Production process
 - c. Financial Process
 - d. Marketing Process
6. Which one of the following factor does not influence span of control?
 - a. Technology
 - b. Nature of subordinates
 - c. Communication techniques
 - d. Conflict between superior and subordinate
7. Narrow span of control results
 - a. Flat structure
 - b. Tall structure
 - c. Mechanistic structure
 - d. Organic structure

Keys

1. Span of control
2. Structure
3. Informal
4. d
5. a
6. a
7. b

8.8 Exercise

1. What do you mean by Span of Control? As a manager, do you prefer wide or narrow span?
2. What are the factors which determine the appropriate span of Control?
3. How do you differentiate between wide and narrow span of Control?
4. What do you understand by organisation structure? How does basic structure of an organisation differ from its operating mechanism?
5. "Organisation structure refers to the differentiation and integration of activities, authority, roles and relationships". Explain.
6. What are the various types of Organisations? Explain in detail with the help of an example.
7. What do you understand by matrix type of organisation structure?
8. What are the limitations of line and functional structure organisation?

UNIT 9: DECISION MAKING

Structure

- 9.1 Introduction
- 9.2 Objective
- 9.3 Decision Making
 - 9.3.1 Decision Making: Concept, meaning and definition
 - 9.3.2 Characteristics of Decision Making
 - 9.3.3 Types of Decisions
 - 9.3.4 Problem Analysis Vs Decision Making

- 9.3.5 Effective Decision Criteria
- 9.3.6 Steps in Decision Making
- 9.3.7 Approaches to Decision Making
- 9.3.8 Decision Making Strategies
- 9.4 Conclusion
- 9.5 References
- 9.6 Progress Review
- 9.7 Exercise

9.1 Introduction

Decision making is defined as the selection of a course of action from among alternatives; it is at the core of planning. A plan cannot be said to exist unless a decision—a commitment of resources, direction or reputation has been made. Managers sometimes see decision making as their central job because they must constantly choose what is to be done, who is to do it and when, where and occasionally even how it will be done. Decision making is, however, only a step in planning. Even when it is done quickly and with little thought or when it influence action for only a few minutes, it is part of planning. It is also part of everyone's daily life. A course of action can seldom be judged alone because virtually every decision must be geared to other plans.

Decision making is both managerial function and organisational process. It is managerial function because it is a functional responsibility of every manager. It is organisational process because many decisions transcend the individual managers and become the product of groups, teams, committees etc. In fact, more important decisions are made by group of managers rather by managers individually. Therefore, managers should develop decision making skills and acquaint themselves with the dynamics of decision making because of the following reasons:

1. Managers spend a great deal of their time in making decisions. In order to develop their decision-making skills, it is necessary that they know how to make effective decisions.
2. Managers are evaluated on the basis of quality of their decision making. To improve the quality of decisions, they should know how quality of decision making can be improved.

Human performance in decision terms has been the subject of active research from several perspectives. From a psychological perspective, it is necessary to examine individual decisions in the context of a set of needs, preferences an individual has and values they seek. From a cognitive perspective, the decision making process must be regarded as a continuous process integrated in the interaction with the environment. From a normative perspective, the analysis of

individual decisions is concerned with the logic of decision making and rationality and the invariant choice it leads to. Yet, at another level, it might be regarded as a problem solving activity which is terminated when a satisfactory solution is reached. Therefore, decision making is a reasoning or emotional process which can be rational or irrational, can be based on explicit assumptions or tacit assumptions.

One must keep in mind that most decisions are made unconsciously. Jim Nightingale, Author of Think Smart-Act Smart, states that "we simply decide without thinking much about the decision process." In a controlled environment, such as a classroom, instructors encourage students to weigh pros and cons before making a decision. However in the real world, most of our decisions are made unconsciously in our mind because frankly, it would take too much time to sit down and list the pros and cons of each decision we must make on a daily basis.

Logical decision making is an important part of all science-based professions, where specialists apply their knowledge in a given area to making informed decisions. For example, medical decision making often involves making a diagnosis and selecting an appropriate treatment. Some research using naturalistic methods shows, however, that in situations with higher time pressure, higher stakes, or increased ambiguities, experts use intuitive decision making rather than structured approaches, following a recognition primed decision approach to fit a set of indicators into the expert's experience and immediately arrive at a satisfactory course of action without weighing alternatives. Recent robust decision efforts have formally integrated uncertainty into the decision making process. However, Decision Analysis, recognized and included uncertainties with a structured and rationally justifiable method of decision making since its conception in 1964.

A major part of decision making involves the analysis of a finite set of alternatives described in terms of some evaluative criteria. These criteria may be benefit or cost in nature. Then the problem might be to rank these alternatives in terms of how attractive they are to the decision maker(s) when all the criteria are considered simultaneously. Another goal might be to just find the best alternative or to determine the relative total priority of each alternative (for instance, if alternatives represent projects competing for funds) when all the criteria are considered simultaneously. Solving such problems is the focus of multi-criteria decision analysis (MCDA) also known as multi-criteria decision making (MCDM). This area of decision making, although it is very old and has attracted the interest of many researchers and practitioners, is still highly debated as there are many MCDA / MCDM methods which may yield very different results when they are applied on exactly the same data. This leads to the formulation of a decision making paradox

9.2 Objectives

After reading this Unit, you should be able to:

- Understand meaning, concept and definition of decision making.
- Explain characteristics and typology of decision making.
- Discuss Decision Making Process, and steps involved therein.
- Explain the approached applied in decision making.

9.3 Decision Making

9.3.1 Concept of Decision and Decision Making

The word 'decision' has been derived from the Latin word '*decidere*' which means a cutting away or a cutting off, or in a practical sense. Thus, a decision involves a cut of alternatives between those that are desirable and those that are not desirable. The decision is a kind of choice of a desirable alternative.

According to Lopez "a decision represents a judgment, a final resolution of a conflict of needs, means or goals and a commitment to action made in face of uncertainty, complexity and even irrationally." Thus, decision making is a process to arrive at a decision, the process by which an individual or organisation selects one position or action from several alternatives.

According to Shull et al, "decision making is a conscious human process involving both individual and social phenomenon based upon factual and value premises which concludes with a choice of one behavioral activity from among one or more alternatives with the intention of moving toward some desired state of affairs."

According to Allen, management decision making is "The work of a manger performs to arrive at conclusion and judgment."

D.E. McRarland, "A decision is an act of choice wherein executive forms a conclusion about what must be done in a given situation. A decision represents a course of behaviour chosen from a number of possible alternatives."

R.S. Davar "Decision making may be defined as the selection based on some criteria of one behaviour alternative from two or possible alternatives. To decide means 'to cut-off' or in a practical content, to come to a conclusion."

Decision-making is a complex and mental exercise. A decision represents a judgement, a final word, and resolution of conflicts or a commitment to act in certain manner in the given set of circumstances. Three aspects of human behaviour are involved in decision making:

1. Cognition, activities of the mind associated with knowledge
2. Conation, the action of the mind implied by such words as willing, desire and aversion, and
3. Affection, the aspect of the mind associated with emotions, feeling, mood and temperament.

9.3.2 Characteristics of Decision Making

Following characteristics of decision making can be accessed from the above definition:

1. **An Intellectual activity:** The process of decision making is basically a human and intellectual activity. It is a mental exercise which considers and evaluates all the alternatives for achieving certain objectives.
2. **A Process of selection:** A decision is basically a process of choice making. It chooses the best alternative from various alternative course of action. If there is one alternative only, no decision making is required.
3. **Integral planning activity:** Decision making is an integral part of planning. Every planner has to make a choice of appropriate solutions or alternatives in a situation of availability of options.
4. **An element of commitment:** A decision is a resolution or commitment of mind to act in a certain manner in the given circumstances. Decisions made by the managers involve commitment of the organisation for adopting a specific course of action and utilizing resources in a particular manner.
5. **Purposive or goal oriented activity:** Decision making is a purposive or goal oriented activity because it is directed towards the achievement of goals and objectives.
6. **Result oriented:** Decisions are vehicles for carrying managerial workload. No decision can be taken without any purpose. A decision is taken to realize certain objectives. Decision making is an end process preceded by deliberations and reasoning.
7. **Time dimension:** All decisions should be taken as far as possible immediately and according to circumstances. The time sequence is complete with the implementation of the decision and evaluation of the results in the future.
8. **Flexible approach:** Decision making requires giving freedom to the managers for making use of their experience, skill and judgment. Infact, policies which are a guide to decision making are made flexible.
9. **Based on rational thinking:** Decision making is based upon rational thinking. It is always objectives in nature as decisions are made to facilities the attainment of well defined objectives. Infact, it involves rationality because through decisions an endeavour is made to attain better results. Hence, it is basically a human process which is complex in nature.
10. **Positive and Negative effect:** Although every decision is usually positive but sometimes certain decisions may be negative. For example, retrenchment, demotion, dismissal of employees, reduction in scale of operation, introduction of change, closing down of some units, withdrawing products from the market

etc. are some of the decisions made by the managers which may have a negative effect for a short period of time.

Hence, decision making is at the core of heart of an organisation. It is a vital and indispensable process of the organisation since it governs different management activities which involves the setting of definite objectives, involves the preparation of different plans, determines organisational structures, motivates personnel and introduces innovations. It is an important function of management and without the involvement of the process of decision making it appears as if an organisation is without its internal structure similar to the nature of human being without the skeleton.

9.3.3 Types of Decisions

There are different types of decisions. According to Peter Drucker, there are four basic criteria which determine the nature of a decision and the level of authority that should decide. These are:

1. The future time involved
2. The qualitative factors entering into a decision
3. Whether a decision is rare or routine and repetitive in nature, and
4. Whether the impact of a decision is on other functions, areas or on the business as a whole.

Some of the important managerial decisions are as follows:

1. Programmed Decisions and Non-Programmed Decisions

Programmed decisions involve situations that have occurred often enough to enable decision rules to be developed and applied in the future. Programmed decisions are used for dealing with recurring organizational problems, whether complex or uncomplicated. If a problem occurs repetitively and routinely, and a specific approach can be worked out for handling it, then it may be a candidate for programmed decision making. Examples of programmed decisions are inventory of a given product to be maintained, salary range of a newly hired employee, and handling of customer complaints. Poorly defined and largely unstructured, and have important consequences for the organization. Non programmed decisions deal with unusual or exceptional problems. If a problem has not come up often enough to be covered by a policy or is so important that it deserves special treatment, it must be handled as a non-programmed decision.

2. Routine Decisions and Strategic Decisions

Routine decisions are made repetitively following certain established rules, procedures and policies. They do not require collection of new data and can be taken without many deliberations. Such decisions are taken generally by the executives at the middle and lower management levels. Strategic or basic decisions, on the other hand, are more important and are generally taken by the top management of organizations. They relate to policy matters and so require a thorough fact finding and analysis of the possible alternatives. Launching a new

programmes, location of a new plant, installation of a computer system are examples of strategic decisions.

3. Policy Decisions and Operative Decisions

Policy decisions are of vital importance and are taken by the top management. They affect the entire organization. But operating decisions are taken by the lower management in order to put into action the policy decisions. For instance, the bonus issue is a policy matter which is to be decided by the top management and calculation of bonus is an operating decision which is taken at the lower levels.

For example-The Nike organization grew out of an idea Philip knight expressed in a graduate school paper he wrote in 1962 while he was getting his M.B.A. at Stanford. In 1964, he and bill Boverman, Knight's former track coach from the University of Oregon, started an athletic shoe company called Blue Ribbon Sports, to evoke the image of a winner. That year they sold 1,300 pairs of running shoes at local track meets from the trunk of a car. In the meantime, Knight also worked as a C.P.A. and an accounting professor until 1969, when he decided to devote himself full time to Blue Ribbon sports. Then, in 1972, Blue Ribbon sports became Nike, named after the mythological goddess of victory. To keep up with the changing marketplace, Nike managers have already started diversifying. In 1992, Nike opened retail outlets in which apparel, shoes, and Nike paraphernalia are sold. Nike managers attribute a \$ 100 million increase in gross profits in 1992 to its retail sales division, which operates 30 Nike owned outlets for factory seconds and the two Nike Town stores, a far cry from the company's humble beginnings with shoes being sold from the trunk of a car. The stores promote the growth of the Nike apparel business, which is experiencing much faster growth than the athletic shoe business.

4. Organisational Decisions and Personal Decisions

Organizational decisions are made to advance the interest of the organization. When an executive acts formally in his expected role in an organization he makes organizational decisions making become organizations official decisions making power is delegated to others also and calls for decisions at subordinate levels supporting it. They thus touch off chain of behavior throughout the organization. Personal decisions are made by an executive as an individual and not as a part of an organization. An executive who charges jobs or organization is making a personal decision. Decisions to many to buy a house, to purchase a car are examples of personal decisions. Such decisions life of an executive but may affect the personal life of an executive but may affect the organization sometimes directly or indirectly.

5. Individual and Group Decisions

When a decision is taken by an individual in the organization, it is known as individual decision. These are concerned mainly with routine problems for which broad policies are available. Such decisions are generally taken in small organizations and in those organizations where autocratic style of management prevails. Group decisions are those taken by a group of persons constituted for the

purpose. Decisions taken by the board of directors or a committee are examples of group decisions. Group decision making generally results in more realistic and well balanced decisions and encourages participative decision making.

9.3.4 Problem Analysis vs. Decision Making

It is important to differentiate between problem analysis and decision making. The concepts are completely separate from one another. Problem analysis must be done first, and then the information gathered in that process may be used towards decision making.

Problem Analysis

- Analyze performance, what should the results be against what they actually are
- Problems are merely deviations from performance standards
- Problem must be precisely identified and described
- Problems are caused by some change from a distinctive feature
- Something can always be used to distinguish between what has and hasn't been effected by a cause
- Causes to problems can be deducted from relevant changes found in analyzing the problem
- Most likely cause to a problem is the one that exactly explains all the facts.

Decision Making

- Objectives must first be established
- Objectives must be classified and placed in order of importance
- Alternative actions must be developed
- The alternative must be evaluated against all the objectives
- The alternative that is able to achieve all the objectives is the tentative decision
- The tentative decision is evaluated for more possible consequences
- The decisive actions are taken, and additional actions are taken to prevent any adverse consequences from becoming problems and starting both systems (problem analysis and decision making) all over again
- There are steps that are generally followed that result in a decision model that can be used to determine an optimal production plan.
- In a situation featuring conflict, role-playing is helpful for predicting decisions to be made by involved parties.

Decision Planning

Making a decision without planning is fairly common, but does not often end well. Planning allows for decisions to be made comfortably and in a smart way. Planning makes decision making a lot more simpler than it is. Decision will get four benefits out of planning:

1. Planning give chance to the establishment of independent goals. It is a conscious and directed series of choices.
2. Planning provides a standard of measurement. It is is a measurement of whether you are going towards or further away from your goal.
3. Planning converts values to action. One should think twice about the plan and decide what will help advance your plan best.
4. Planning allows to limited resources to be committed in an orderly way. Always govern the use of what is limited to you (e.g money, time, etc.)

9.3.5 Effective Decision Criteria

B.S.Rajpurohit has pointed out the following criteria for evaluating an effective decision:

1. **Economic Criterion:** As the primary objective of a business is to make adequate profit, every decision should have an economic justification.
2. **Timeliness:** Timeliness is an important element in a successful decision. One should be alert in observing the trend of events and ready to make use of opportunity. The time sequence is complete with the implementation of the decision and evaluation of results in the future.
3. **Goal-Oriented:** Organisations are goal-oriented units and therefore, any organisational process, including decision making should be goal directed to enable the organisation to meet its objectives.
4. **Authenticity:** Since, such decisions are in keeping with the systematic plan, they get the stamp of authenticity, permanency and such decisions acquire nature of permanency as chances of effecting any changes or modifications in them with a short span of time before remote.
5. **Action-Oriented:** Decisions are action-oriented and are directed towards relevant and controllable aspects of the environment. Decisions are totally pragmatic in nature and their value is dependent on the success of the actions that follows. Decisions to be effective must be to the point, sound, accurate and appropriate. Such decisions in due course gain the status of precedents.
6. **Authority and Sanction:** The decision maker is invested with an authority to make decisions which are acceptable by the company. the subject and its scope should fall clearly in the executive's legitimate authority.
7. **Legal Criterion:** As a business institution works within the framework and protection of law a decision should not, directly or indirectly, undetermined the spirit of law.

8. **Experience:** The element of experience as a basis for decision-making is very important. Past experience of the decision maker, indicative of decisions made in particular situations, varied types of people involved and general areas affected by the decisions, weighs considerably with the decision maker and helps in reaching accurate decisions.
9. **Adequate Information:** The element of facts, as basis for decision-making supported as it is with factual data having relevancy to the given situation has been recognised as the most methodical, efficient and effective basis for reaching decisions.
10. **Categorical Interpretation:** At the very outset, it may be emphasized that logical decision can be made if the real problem is interpreted and identified with study and observation.
11. **Efficiency in Implementation:** An effective decision should provide the way in which it can be implemented. Therefore, decision making should take into account all the possible factors not only in terms of external context but also in internal context so that a decision can be implemented properly.
12. **Considering others' view:** While making decision it is desirable that all alternatives are considered before arriving at a decision. Therefore, if various views on the same point are taken into consideration and given adequate weight, they will contribute to the quality of decisions.

9.3.6 Steps in Decision Making

Managers are constantly called upon to make decisions in order to solve problems. Decision making and problem solving are ongoing processes of evaluating situations or problems, considering alternatives, making choices, and following them up with the necessary actions. Sometimes the decision-making process is extremely short, and mental reflection is essentially instantaneous. In other situations, the process can drag on for weeks or even months. The entire decision-making process is dependent upon the right information being available to the right people at the right times.

The decision-making process involves the following steps:

1. Define the problem.
2. Identify limiting factors.
3. Develop potential alternatives.
4. Analyze the alternatives.
5. Select the best alternative.
6. Implement the decision.



7. Establish a control and evaluation system.

Define the problem: The decision-making process begins when a manager identifies the real problem. The accurate definition of the problem affects all the steps that follow; if the problem is inaccurately defined, every step in the decision-making process will be based on an incorrect starting point. One way that a manager can help determine the true problem in a situation is by identifying the problem separately from its symptoms.

The most obviously troubling situations found in an organization can usually be identified as symptoms of underlying problems. (See Table 1 for some examples of symptoms.) These symptoms all indicate that something is wrong with an organization, but they don't identify root causes. A successful manager doesn't just attack symptoms; he works to uncover the factors that cause these symptoms.

TABLE 1 Symptoms and Their Real Causes

| Symptoms | Underlying Problem |
|------------------------------------|---|
| Low profits and/or declining sales | Poor market research |
| High costs | Poor design process; poorly trained employees |
| Low morale | Lack of communication between management and subordinates |
| High employee turnover | Rate of pay too low; job design not suitable |
| High rate of absenteeism | Employees believe that they are not valued |

Identify limiting factors:

All managers want to make the best decisions. To do so, managers need to have the ideal resources — information, time, personnel, equipment, and supplies — and identify any limiting factors. Realistically, managers operate in an environment that normally doesn't provide ideal resources. For example, they may lack the proper budget or may not have the most accurate information or any extra time. So, they must choose to satisfy — to make the best decision possible with the information, resources, and time available.

Develop potential alternatives: Time pressures frequently cause a manager to move forward after considering only the first or most obvious answers. However, successful problem solving requires thorough examination of the challenge, and a quick answer may not result in a permanent solution. Thus, a manager should think through and investigate several alternative solutions to a single problem before making a quick decision.

One of the best known methods for developing alternatives is through brainstorming, where a group works together to generate ideas and alternative solutions. The assumption behind brainstorming is that the group dynamic stimulates thinking — one person's ideas, no matter how outrageous, can generate

ideas from the others in the group. Ideally, this spawning of ideas is contagious, and before long, lots of suggestions and ideas flow. Brainstorming usually requires 30 minutes to an hour. The following specific rules should be followed during brainstorming sessions:

- Concentrate on the problem at hand- This rule keeps the discussion very specific and avoids the group's tendency to address the events leading up to the current problem.
- Entertain all ideas- In fact, the more ideas that comes up, the better. In other words, there are no bad ideas. Encouragement of the group to freely offer all thoughts on the subject is important. Participants should be encouraged to present ideas no matter how ridiculous they seem, because such ideas may spark a creative thought on the part of someone else.
- Refrain from allowing members to evaluate others' ideas on the spot- All judgments should be deferred until all thoughts are presented, and the group concurs on the best ideas.

Although brainstorming is the most common technique to develop alternative solutions, managers can use several other ways to help develop solutions. Here are some examples:

- Nominal group technique - This method involves the use of a highly structured meeting, complete with an agenda, and restricts discussion or interpersonal communication during the decision-making process. This technique is useful because it ensures that every group member has equal input in the decision-making process. It also avoids some of the pitfalls, such as pressure to conform, group dominance, hostility, and conflict, that can plague a more interactive, spontaneous, unstructured forum such as brainstorming.
- Delphi technique - With this technique, participants never meet, but a group leader uses written questionnaires to conduct the decision making.

No matter what technique is used, group decision making has clear advantages and disadvantages when compared with individual decision making. The following are among the advantages:

- Groups provide a broader perspective.
- Employees are more likely to be satisfied and to support the final decision.
- Opportunities for discussion help to answer questions and reduce uncertainties for the decision makers.

These points are among the disadvantages:

- This method can be more time-consuming than one individual making the decision on his own.

- The decision reached could be a compromise rather than the optimal solution.
- Individuals become guilty of *groupthink* — the tendency of members of a group to conform to the prevailing opinions of the group.
- Groups may have difficulty performing tasks because the group, rather than a single individual, makes the decision, resulting in confusion when it comes time to implement and evaluate the decision.

The results of dozens of individual-versus-group performance studies indicate that groups not only tend to make better decisions than a person acting alone, but also that groups tend to inspire star performers to even higher levels of productivity.

So, are two (or more) heads better than one? The answer depends on several factors, such as the nature of the task, the abilities of the group members, and the form of interaction. Because a manager often has a choice between making a decision independently or including others in the decision making, she needs to understand the advantages and disadvantages of group decision making.

Analyze the alternatives: The purpose of this step is to decide the relative merits of each idea. Managers must identify the advantages and disadvantages of each alternative solution before making a final decision.

Evaluating the alternatives can be done in numerous ways. Here are a few possibilities:

- Determine the pros and cons of each alternative.
- Perform a cost-benefit analysis for each alternative.
- Weight each factor important in the decision, ranking each alternative relative to its ability to meet each factor, and then multiply by a probability factor to provide a final value for each alternative.

Regardless of the method used, a manager needs to evaluate each alternative in terms of its

- Feasibility — Can it be done?
- Effectiveness — How well does it resolve the problem situation?
- Consequences — What will be its costs (financial and non-financial) to the organization?

Select the best alternative: After a manager has analyzed all the alternatives, she must decide on the best one. The best alternative is the one that produces the most advantages and the fewest serious disadvantages. Sometimes, the selection process can be fairly straightforward, such as the alternative with the most pros and fewest cons. Other times, the optimal solution is a combination of several alternatives. Sometimes, though, the best alternative may not be obvious. That's

when a manager must decide which alternative is the most feasible and effective, coupled with which carries the lowest costs to the organization. (See the preceding section.) Probability estimates, where analysis of each alternative's chances of success takes place, often come into play at this point in the decision-making process. In those cases, a manager simply selects the alternative with the highest probability of success.

Implement the decision: Managers are paid to make decisions, but they are also paid to get results from these decisions. Positive results must follow decisions. Everyone involved with the decision must know his or her role in ensuring a successful outcome. To make certain that employees understand their roles, managers must thoughtfully devise programs, procedures, rules, or policies to help aid them in the problem-solving process.

Establish a control and evaluation system : Ongoing actions need to be monitored. An evaluation system should provide feedback on how well the decision is being implemented, what the results are, and what adjustments are necessary to get the results that were intended when the solution was chosen.

In order for a manager to evaluate his decision, he needs to gather information to determine its effectiveness. Was the original problem resolved? If not, is he closer to the desired situation than he was at the beginning of the decision-making process?

If a manager's plan hasn't resolved the problem, he needs to figure out what went wrong. A manager may accomplish this by asking the following questions:

- **Was the wrong alternative selected?** If so, one of the other alternatives generated in the decision-making process may be a wiser choice.
- **Was the correct alternative selected, but implemented improperly?** If so, a manager should focus attention solely on the implementation step to ensure that the chosen alternative is implemented successfully.

9.3.7 Approaches to Decision Making

There are two major approaches to decision making in an organization, the authoritarian method in which an executive figure makes a decision for the group and the group method in which the group decides what to do.

1. Authoritarian

The manager makes the decision based on the knowledge he can gather. He then must explain the decision to the group and gain their acceptance of it. In some studies, the time breakdown for a typical operating decision is something like this: make decision, 5 min.; explain decision, 30 min.; gain acceptance, 30 min.

2. Group

The group shares ideas and analyses, and agrees upon a decision to implement. Studies show that the group often has values, feelings, and reactions quite different from those the manager supposes they have. No one knows the group and its tastes and preferences as well as the group itself. And, interestingly, the time breakdown is something like this: group makes decision, 30 min.; explain decision, 0 min.; gain acceptance, 0 min.

Clearly, just from an efficiency standpoint, group decision making is better. More than this, it has been shown many times that people prefer to implement the ideas they themselves think of. They will work harder and more energetically to implement their own idea than they would to implement an idea imposed on them by others. We all have a love for our own ideas and solutions, and we will always work harder on a solution supported by our own vision and our own ego than we will on a solution we have little creative involvement with.

There are two types of group decision making sessions. First is free discussion in which the problem is simply put on the table for the group to talk about. For example, Joe has been offered a job change from shift supervisor to maintenance foreman. Should he take the job?

The other kind of group decision making is developmental discussion or structured discussion. Here the problem is broken down into steps, smaller parts with specific goals. For example, instead of asking generally whether Joe should take the job, the group works on sub questions: What are Joe's skills? What skills does the new job require? How does Joe rate on each of the skills required? Notice that these questions seek specific information rather than more general impressionistic opinions.

Developmental discussion (1) insures systematic coverage of a topic and (2) insures that all members of the group are talking about the same aspect of the problem at the same time.

9.3.8 Decision Making Strategies

As you know, there are often many solutions to a given problem, and the decision maker's task is to choose one of them. The task of choosing can be as simple or as complex as the importance of the decision warrants, and the number and quality of alternatives can also be adjusted according to importance, time, and resources and so on. There are several strategies used for choosing. Among them are the following:

1. Optimizing

This is the strategy of choosing the best possible solution to the problem, discovering as many alternatives as possible and choosing the very best. How thoroughly optimizing can be done is dependent on

- a. Importance of the problem
- b. Time available for solving it
- c. Cost involved with alternative solutions
- d. Availability of resources, knowledge
- e. Personal psychology, values

Note that the collection of complete information and the consideration of all alternatives is seldom possible for most major decisions, so that limitations must be placed on alternatives.

2. Satisficing

In this strategy, the first satisfactory alternative is chosen rather than the best alternative. If you are very hungry, you might choose to stop at the first decent looking restaurant in the next town rather than attempting to choose the best restaurant from among all (the optimizing strategy). The word *satisficing* was coined by combining *satisfactory* and *sufficient*. For many small decisions, such as where to park, what to drink, which pen to use, which tie to wear, and so on, the satisficing strategy is perfect.

3. Maximax

This stands for "maximize the maximums." This strategy focuses on evaluating and then choosing the alternatives based on their maximum possible payoff. This is sometimes described as the strategy of the optimist, because favorable outcomes and high potentials are the areas of concern. It is a good strategy for use when risk taking is most acceptable, when the go-for-broke philosophy is reigning freely.

4. Maximin

This stands for "maximize the minimums." In this strategy, that of the pessimist, the worst possible outcome of each decision is considered and the decision with the highest minimum is chosen. The Maximin orientation is good when the consequences of a failed decision are particularly harmful or undesirable. Maximin concentrates on the salvage value of a decision, or of the guaranteed return of the decision. It's the philosophy behind the saying, "A bird in the hand is worth two in the bush."

9.4. Conclusion

Thus, Decision making is the study of identifying and choosing alternatives based on the values and preferences of the decision maker. Making a decision implies that there are alternative choices to be considered, and in such a case we want not only to identify as many of these alternatives as possible but to choose the one that (1) has the highest probability of success or effectiveness and (2) best fits with our goals, desires, lifestyle, values, and so on. Decision making is the process of sufficiently reducing uncertainty and doubt about alternatives to allow a reasonable choice to be made from among them. This definition stresses the information-gathering function of decision making. It should be noted here that uncertainty is *reduced* rather than eliminated. Very few decisions are made with absolute certainty because complete knowledge about all the alternatives is seldom possible. Thus, every decision involves a certain amount of risk. If there is no uncertainty, you do not have a decision; you have an algorithm--a set of steps or a recipe that is followed to bring about a fixed result.

Problem solving and decision-making are important skills for business and life. Problem-solving often involves decision-making, and decision-making is especially important for management and leadership. There are processes and techniques to improve decision-making and the quality of decisions. Decision-making is more natural to certain personalities, so these people should focus more on improving the quality of their decisions. People that are less natural decision-makers are often able to make quality assessments, but then need to be more decisive in acting upon the assessments made. Problem-solving and decision-making are closely linked, and each requires creativity in identifying and developing options, for which the brainstorming technique is particularly useful.

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9.6. Progress Review

Objectives and Fill in the blanks:

1. Managers are evaluated on the basis of quality of their _____ .
2. _____ decisions are routine and repetitive and are made within the framework of organisational policies and rules.
3. Every decision is the outcome of a _____ process which is influenced by multiple forces.
4. Which one of the following is not a programmed decision?
 - a. Promotion decision
 - b. Demotion decision
 - c. Launching new product
 - d. Setting sales quota
5. Which one of the following is important in effective decision making?
 - a. Application of limiting factors
 - b. Hard decision
 - c. Pleasing decision
 - d. Implied decision
6. Which one of the following is a qualitative technique of decision making?
 - a. Brainstorming
 - b. Decision Tree
 - c. Delphi technique
 - d. Consensus mapping

Keys

1. Decision making
2. Programmed
3. Dynamic
4. d
5. a
6. a

9.7 Exercises

1. What do you understand by decision making process?
2. What are the essential characteristics of a good decision?
3. How does individual decision differ from that of group decision? What are their positive and negative aspects?
4. What is the role of creativity in decision making?
5. What are the various steps in decision making process? Explain in detail.
6. What are the major features of strategic and tactical decision?
7. What are the basic elements of decision making process? Explain in detail.
8. What are the limiting factors of decision making process?



UNIT 10 STAFFING: NATURE, PURPOSE AND PROCESS

Structure

- 10.1 Introduction
- 10.2 Objectives
- 10.3 Staffing



- 10.4 Human resource planning
 - 10.4.1 Concept of human resources planning
 - 10.4.2 Objectives of human resource planning
- 10.5 Recruitment
 - 10.5.1 Recruitment process
- 10.6 Selection
 - 10.6.1 The selection process
 - 10.6.2 Selection tests
 - 10.6.3 Types of tests
 - 10.6.4 Limitations of selection tests
- 10.7 Placement
- 10.8 Orientation
 - 10.8.1 The importance of proper induction
- 10.9 Summary
- 10.10 Glossary
- 10.11 Answers to check your progress exercise
- 10.12 Reference / bibliography
- 10.13 Suggested readings
- 10.14 Terminal and model questions

10.1 Introduction

In the previous units you have gained knowledge about the planning, Organization. The present Unit starts with a discussion on various aspects related to staffing and explains further Recruitment, Selection, Placement and Inductions in the hospitality organisations.

A proper planning is required for developing and utilizing the human resources and also for recognizing the need and use of the same. Human resource planning broadly forms the action plan for developing the human resources by taking stock of the infrastructure present and required. The planning process is very vital since unlike the material resources, human resources have the unpredictability and the mental powers of human nature to consider. You will also learn about the human resources planning and various stages of selecting people till they are assigned to a particular job. In this Unit we have attempted to explain what is meant by selecting people on their merit and how this is done.

10.2 Objectives

After reading this Unit, you will be able to:

- Meaning of Staffing
- Concept of human resources planning,
- Sources of Recruitment, Selection Process
- Concept of Placement and Induction.

10.3 Staffing

Men, material and money are regarded as three important factors of production.

Men constitute the organization at all levels and regarded as the only dynamic factor of production. It is not very difficult to handle material resources, but without the efficient use of human resources, management can never accomplish the end objectives of the undertaking. Even in those industries where automatic have been introduced, labour is still regarded as a dominant factor for increasing productivity. **Koontz and O'Donnell** defines staffing as “the executive function which involves the recruitment, selection, compensating, training, promotion and retirement of subordinate managers”



It is clear from the above paragraph that men play a vital role in every business. The success of any organizations depends upon the caliber and motivation of its employees. The staffing function of management refers to the systematic approach to the problem of selecting, training, motivating and retaining personnel in any organization. It is concerned with recruitment and development of managers and their maintenance in high spirit. Staffing entails manpower planning for recruiting and training personnel. It also calls for the satisfaction of employees through the provision of individual motivation and the introduction of self control on the part of such personnel. Thus staffing function includes the process by which the right person is placed in a right place in the organization. The administration of human resources involves matching the job and people through preparation of specifications necessary for positions, appraising the performance of personnel, training & retaining of people to fit the needs of the organizational positions, and developing methods by which people will respond with maximum effort and increased satisfaction. Since successful performance by individuals largely determines success of the structure, staffing function of manager deserves sufficient care and attention of the management.

10.4 Human Resource Planning

Human Resource planning may be defined as a strategy for the acquisition, utilisation, improvement and preservation of the human resources of an enterprise. It is the activity of the management which is aimed at co-ordinating the requirements for and the availability of different types of employees. This involves ensuring that the firm has enough of the right kind of people at the right time and also adjusting the requirements to the available supply. The same can be applicable at a macro level say HRP for an industry like

tourism or a government planning at the national level. The major activities of Human Resource planning include:

- 1) **Forecasting** future manpower requirements either in terms of mathematical projections of trends in the economy and developments in the industry or of judgemental estimates based upon specific future plans of the company.
- 2) **Inventorizing** present manpower resources and analysing the degree to which these resources are employed optimally.
- 3) **Anticipating** manpower problems by projecting present resources into the future and comparing them with the forecast of requirements to determine their adequacy, both quantitatively and qualitatively.
- 4) **Planning** the necessary programmes of recruitment, selection, training, development, motivation and compensation so that future manpower requirements will be met.

10.4.1. Concept of Human Resources Planning

Planning is a process of preparing a set of decisions for action in the future. Human Resources planning may then be interpreted as a process of preparing a set of decisions on human resources development for action by human resources in future. The actions required on the part of human resources are exogenous to human resources planning and they are primarily of two types:

- Availing the employment opportunities generated by the technologies in vogue in the process of economic development, and
- evolving new technologies to aid the process of economic development.

Given the pattern of growth in population, labour force and hence the human resources; there are three types of investments which have the potential to contribute to human resources development. They are investments in:

- health and nutrition,
- social and economic equity, and
- education.

The first two types of investment can only contribute to the accumulation of human beings in terms of health, physical capacity to work and socio-economic status. As an economic asset – human capital, i.e., a mature human being is similar to unimproved land that has been protected from destruction by fire and erosion. It is the education and training, directed towards development of skills in human beings that change the future asset value, productivity and earning power of human beings. This is the human capital approach to human resources planning which attaches prime importance to investment in education training and retraining as a means of human resources development. In a broader sense, thus, human resources planning and educational planning are almost synonymous.

10.4.2. Objectives of Human Resource Planning

The objectives of human resource planning are mainly:

- a) To ensure optimum use of human resources currently employed.
- b) To assess or forecast future skill requirements.
- c) To provide control measures to ensure that necessary resources are available as and when required.
- d) A number of specific reasons for attaching importance of manpower planning and forecasting exercise are to:
- link manpower planning with organisational planning,
 - determine recruitment levels,
 - anticipate redundancies,
 - determine optimum training levels,
 - provide a basis for management development programmes,
 - cost the manpower in new projects,
 - assist productivity bargaining,
 - assess future accommodation requirements,
 - study the cost of overheads and value of service functions,
 - have a competitive edge over other service providers, and
 - decide whether certain activities need to be subcontracted, etc.

These objectives are relevant for any type of tourism firm though as per its specific requirements the firm may add more to it, like, meeting the increasing demands of tourists, providing right service at the right moment or meet the demand of changing trends and fashions in tourism.

10.5 Recruitment

Increasing complexity and size of most organizations has resulted in multiple layers of bureaucracy. All organizations and establishments have realized the increasing costs of manpower. Recent researchers have developed a perspective of strategic human resources management.

Recruitment is essentially a process to discover and identify sources to obtain employees and to employ effective measures for contacting those employees, which will be forming an efficient workforce. It will suffice to understand that the recruitment programme involves five different elements, which include; a recruiting organization, process of recruitment, a forecast of man-power requirements, the development of man-power sources and techniques for utilizing these sources. It is a vital function of personnel administration and is an essential pre-requisite for the effectiveness and success of an organisation. Recruitment policy states the objectives, and provides a framework for implementation of recruitment programme in the form of procedures. A recruitment policy may include several issues such as promotion or transfer from within the organisation (as quotas are usually fixed in government and public sector organisations as also quotas for certain minority groups and relatives of employees). While the system is a function related to the personnel function, in principle recruitment should remain a line-responsibility, who should have the final say in the acceptance of a particular recruit, though, in consultation with the staff or personnel department.

The man-power managers have to constantly review and improve the methods of recruitment in view of the changing times and demand as understood in other organisations. A sound recruitment programme necessarily involves appraisal of each source and the techniques from the stand point of relative quality of personnel which it has provided.

The valuation procedures should consist of existing employees in terms of their jobs – success, evaluation of sources from which good and poor employees, were recruited and the methods used in assessing the relative values. Today hospitality organisations, whether big or small, ought to spell out a clear recruitment policy within their organisations. Adhoc measures like employing people on word of mouth recommendations, obliging some body, etc., are not good for organisational growth.

10.5.1. Recruitment Process

Before you think of inviting people to apply for a job you have to decide what types of persons are to be invited and what their characteristics should be. This calls for fixing the 'job specifications'. Job specifications are based on job description which is dependent upon the nature and requirements of a job. Thus, job specification will be different for each job. We shall explain below the various elements of job specification.

- **Physical Specifications:** For certain jobs some special physical features may be required. For example, the Airline crews are required to a certain height corresponding body weight with 6/6 vision. The particular physical abilities and skills necessary for a given job have to be specified. These may refer to height, weight, finger dexterity, voice, poise, hand and foot coordination, age-range, etc.
- **Mental Specifications:** These include intelligence, memory, judgement, ability to plan, ability to estimate, to read, to write, to think and concentrate, scientific faculties, arithmetical abilities, etc. Different jobs require different degrees of such abilities and the more important ones should be specified. For example the Marketing Manager of your company should have knowledge of brochure production, distribution channels, tourist profiles, etc.
- **Emotional and Social Specifications:** These include characteristics which will affect the employees working with others, like personal appearance, manners, emotional stability, aggressiveness or submissiveness, extroversion or introversion, leadership, cooperativeness, initiative and drive, skills in dealing with others, social adaptability, etc. For example Counter Personnel in travel agencies and airlines are required to have pleasant and charming personality; hotel stewards should have the adaptability of service with smile and so on.
- **Behavioural Specifications:** Certain management personnel at higher levels of management are expected to behave in a particular manner. These are not formally listed but have to be kept in mind during the process of recruitment, selection and placement.

10.5.2. Sources of Manpower Supply

There are two categories of sources of supply of manpower – Internal and External.

- **Internal Sources:** These include personnel already on the pay-roll of the organisation as also those who were once on the pay-roll of the company but who plan to return, or whom the company would like to rehire. These include those who quit voluntarily or those on production lay-offs.
- **External Sources:** These sources lie outside the organisation. These include college students, the new entrants, the unemployed with a wider range of skills and abilities, the retired experienced persons, and others who are looking for jobs. This also includes those whom you hire from outside for specific jobs like guides, tour escorts, etc.

A policy of preferring people from within is advantageous as, mostly it improves the morale of the employees, fosters loyalty among them towards the organisation and inspires greater effort among organisation members. Secondly, this also helps employers as they are in a better position to evaluate those already with them and these people require no induction to the organisation and its members. This knowledge increases the likelihood that they will succeed, and finally, it is less expensive to recruit or promote from within than to hire from outside the organisation.

The policy of preferring internal candidates, however, suffers from some disadvantages. It may lead to inbreeding, discouraging new blood from entering an organisation. If promotion is based on seniority, the real capable hands may be left out, thus reducing the chance that fresh viewpoint will enter the organisation and will limit the pool of available talent and it may encourage complacency among employers who assume seniority ensures promotion.

Likewise, there are good and bad points about external sources. These sources provide a wide market and the best selection considering skill, training and education. It also helps to bring new ideas into the organisation. Moreover, this source never 'dries up'. In respect of people selected under this system, however, one has to take chances with the selected persons regarding their loyalty and desire to continue with the organisation. The organisation has to make larger investments in their training and induction.

You will realise that dependence on just one of the sources is not in the interest of an organisation. It must depend on both in a ratio to be fixed considering various factors. Some of these factors are described below:

- 1) **Effect of the policy on the attitude and actions of all employees:** Employees, no doubt, feel more secure and identify their own long-term interest with that of the organisation when they can anticipate first chance at job opportunities. The general application of the 'promotion from within' policy may encourage mediocre performance. The point to be considered here by the

organisation is, how important is the loyalty of the employees to it, balancing the risk of mediocre performance.

2) The level of specialisation required of employees: The principal source in many organisations may be the ranks of the present employees who have received specialised training.

3) The degree of emphasis on participation by employees at all levels: New employees from outside, with no experience in the firm, may not know enough about its service or product or processes to participate effectively, for some time at least.

4) The need for and availability of originality and initiative within the organisation: If the organisation feels that it is training its people for these qualities it may prefer its own people; if not, new people with different ideas may be taken from outside.

5) Acceptance of seniority principle: The policy of promotion from within will succeed only if management and employees accept the seniority principle with or without suitable modifications for promotion. If it is not accepted, selection may better be done on an open basis.

10.6 Selection

Selection is the process of securing relevant information about an applicant to evaluate his or her qualifications, experience and other qualities with a view of matching these with the requirements of a job. It is essentially a process of picking out the best suited person for the organisation's requirements.

10.6.1. The Selection Process

The selection process involves choosing the best suitable applicant and rejection of unsuitable or less suitable applicants. This may be done at any of the successive hurdles which an applicant must cross. These hurdles act as screens designed to eliminate an unqualified applicant at any point in the process. This technique is known as the 'successive hurdles technique'.

Personnel Management expert **Yoder**, calls these hurdles 'go, no-go' gauges. Those who qualify a hurdle go to the next one; those who do not qualify are dropped out. Not all selection processes, however, include these hurdles. The complexity of the process usually increases with the level and responsibility of the position to be filled. Moreover, these hurdles need not necessarily be placed in the same order. Their arrangement may differ from organisation to organisation.

1) Initial Screening or Preliminary Interviews: This is a sorting process in which prospective applicants are given the necessary information about the nature of the job and also, necessary information is elicited from the candidates about their education, experience, skill, salary expected, etc. If the candidate is found to be suitable, he or she is selected for further process and, if not, he or she is eliminated. This is initial screening and can be done across the counter in the organisation's

employment offices. This is done by a junior executive in the personnel department. Due care should be taken so that suitable candidates are not turned down in a hurry. Since this provides personal contact for an individual with the company, the interviewers should be courteous, kind, receptive and informal. When a candidate is found suitable, an application form is given to fill in and submit.

2) Application Scrutiny: You might have seen that sometimes applications are asked on a plain sheet. This is done where no application forms are designed. The applicant is asked to give details about age, marital status, educational qualifications, work experience and references. Different types of application forms may be used organisation for different types of employees, e.g. one for managers, the other for supervisors and a third for other employees. Some forms are simple, general and easily answerable, while others may require elaborate, complex and detailed information. Reference to nationality, race, caste, religion and place of birth has been regarded as evidence of discriminatory attitudes and should be avoided. An application form should be designed to serve as a highly effective preliminary screening device, particularly, when applications are received in direct response to an advertisement and without any preliminary interview.

The application can be used in two ways: (i) to find out on the basis of information contained therein as to the chances of success of the candidate in the job for which he or she is applying, and (ii) to provide a starting point for the interview. It is often possible to reject candidates on the basis of scrutiny of the applications as they are found to be lacking in educational standards, experience or some other relevant eligibility and traits.

10.6.2. Selection Tests

A test is a sample of an aspect of an individual's behaviour, performance or attitude. It can also be a systematic procedure for comparing the behaviour of two or more persons. The basic assumption underlying the use of tests in personnel selection is that individuals are different in their job-related abilities and skills and that these skills can be adequately and accurately measured. Tests seek to eliminate the possibility of prejudice on the part of the interviewer or supervisor. Potential ability only governs the selection decisions. The other major advantage is that the tests may uncover qualifications and talents that would not be detected by interviews or by listing of education and job experience.

10.6.3. Types of Tests

The various tests used in selection can be put in to four categories: **(a) Achievement or Intelligence Tests, (b) Aptitude or Potential Ability Tests, (c) Personality Tests, and (d) Interest Tests.**

a) Achievement or Intelligence Tests: These tests are also called 'proficiency tests'. They measure the skill or knowledge which is acquired as a result of a training programme and on the job experience. They measure what the applicant can do. These tests are of two types:

i) Test for Measuring Job Knowledge: These are known as 'Trade Tests'. These are administered to determine knowledge of typing, shorthand and in operating calculators, and so on. These are primarily oral tests consisting of a series of questions which are believed to be satisfactorily answered only by those who know and thoroughly understand the trade or occupation. Oral tests may be supplemented by written, picture and performance types.

ii) Work Sample Tests: These measure the proficiency with which equipment can be handled by the candidate. This is done by giving him or her a piece of work to judge how efficiently one does it. For example, a tour executive would be provided with an itinerary to do a complete costing of the tour.

b) Aptitude or Potential Ability Tests: These tests measure the latent ability of a candidate to learn a new job or skill. Through these tests you can detect peculiarity or defects in a person's sensory or intellectual capacity. These focus attention on particular types of talent such as learning, reasoning and mechanical or musical aptitude. 'Instruments' used are variously described as tests of 'intelligence', 'mental ability', 'mental alertness', or simply as 'personnel tests'. These are of three types:

i) Mental Tests: These measure the overall intellectual ability or the intelligence quotient (I.Q.) of a person and enable us to know whether he or she has the mental capacity to deal with new problems. These determine an employee's fluency in language, memory, induction, reasoning, speed of perception, and spatial visualisation.

ii) Mechanical Aptitude Tests: These measure the capacity of a person to learn a particular type of mechanical work. These are useful when apprentices, mechanists, mechanics, maintenance workers, and mechanical technicians are to be selected.

iii) Psychomotor or Skill Tests: These measure a person's ability to do a specific job. These are administered to determine mental dexterity or motor ability and similar attributes involving muscular movement, control and coordination. These are primarily used in the selection of workers who have to perform semi-skilled and repetitive jobs, like assembly work, packing, testing, and inspection and so on.

c) Personality Tests: These discover clues to an individual's value system, his or her emotional reactions, maturity and the characteristic mood. These tests help in assessing a person's motivation, his or her ability to adjust to the stresses of everyday life and the capacity for inter-personal relations and for projecting an impressive image of himself or herself. They are expressed in terms of the relative significance of such traits of a person as self-confidence, ambition, tact, emotional control, optimism, decisiveness, sociability, conformity, objectivity, patience, fear, distrust, initiative, judgement, dominance, impulsiveness, sympathy, integrity, and stability. These tests are given to predict potential performance and success for supervisory or managerial jobs. The personality tests are basically of three types:

i) Objective Tests: These measure neurotic tendencies, self-sufficiency, dominance, submission and self-confidence.

ii) Projective Tests: In these tests, a candidate is asked to project his or her own interpretation onto certain standard stimuli. The way in which one responds to these stimuli depends on his or her own values, motives and personality.

iii) Situation Tests: These measure an applicant's reaction when he or she is placed in a peculiar situation, the ability to undergo stress and the demonstration of ingenuity under pressure. These tests usually relate to a leaderless group situation, in which some problems are posed to a group and its members are asked to reach some conclusions without the help of a leader.

d) Interest Tests: These tests are designed to discover a person's areas of interest and to identify the kind of work that will satisfy him or her. The interest tests are used for vocational guidance, and are assessed in the form of answers to a well-prepared questionnaire.

10.6.4. Limitations of Selection Tests

From the basic description of tests described above, one should not conclude that a hundred per cent prediction of an individual's on-the-job success can be made through these tests. These tests, at best reveal that candidates, who have scored above the predetermined cut-off points, are likely to be more successful than those who have scored below the cut-off point.

Tests are useful when the number of applicants is large. **The tests will serve no useful purpose if they are not properly constructed or selected or administered.**

Although written tests designed to define a candidate's interests, aptitudes and intelligence have long been a staple of employment screening; their use has declined over past 25 years. Many tests have proved to be discriminatory in their design and results, and it has been difficult to establish their job relatedness when they have been subjected to judicial review. Moreover, tourism being a service industry, the interpersonal relationship is more important and it can be judged only in the interview. Many big organizations in tourism first conduct tests and then a series of interviews to choose the right candidate as a trainee. Thus, using both the methods effectively.

Check Your Progress- I

1) Write a short note on the different objectives of Human Resource Planning.

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2) Write in short about the various sources of manpower supply.

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10.7 Placement

Placement or actual posting of an employee to a specific job has an experimental element in it, for most employees it is a decisive step. The department head/supervisor should be able to accept him or her as there is sufficient reason to think that the new recruit can do what the job demands, (job requirements) imposes (in working conditions, strain etc.), and offers (in the form of pay, job-satisfaction status, companionship with fellow workers, and promotion prospects) etc. Though it is very difficult to match all these factors, yet both the personnel department, and the line-staff have to co-operate to achieve it.

For reasons of the new employees' compatibility and his or her acceptance by the line, he or she is usually put on probation for a specified period during which he or she is on trial. It may vary from few weeks or months, and sometimes a year or two as in government. However, in case during this trial period he or she is not found acceptable to the line department, he or she may again be interviewed by the personnel department to explore the possibilities of fitting him or her into another job, which may be more suited to his or her qualifications, aptitudes, or previous experience. Such a second placement is sometimes known as "differential placement", which is becoming more relevant in this country also due to rising costs of recruitment and selection, changing employee's attitudes, with the spread of higher and better education, and fast developing higher standards of living.

10.8 Orientation

As soon as an employee is recruited the first step relates to induction or orientation programmes. Attempts are made to introduce him or her to the job, other fellow workers and surroundings. Induction or orientation may be defined **as a process of guiding and counseling the employee to familiarize him or her with the organisation and the job situation**. This exerts a marked influence on the job tenure and effectiveness.

The induction process accomplishes several objectives including formation of a favourable impression of the organization, attitude development, the feeling of belonging, facilitation of learning and team work with other employees. It minimizes employee grievances, frustration and turnover as also helps in the attainment of numerous training objectives.

The induction programme clarifies the terms and conditions of employment, communicates specific job requirements to the employees and provides confidence in the company as well as in their own ability to accomplish the work assigned to them effectively.

As regards the contents of the induction programme, it embraces a wide range of items usually embodied in the employee handbook or manual. The contents of the induction programme should be determined in the form of checklist specifying the topics to be covered. Attempts should be made to follow-up and assess the programme by interviewing the new employees as a measure to correct the gaps in the knowledge and attitude of the employees.

Explicitly, induction is a line responsibility supported with staff advice and guidance. The Supervisor, foreman or manager should be trained in the induction process, and care has to be taken that he or she does not entirely delegate this crucial responsibility to fellow workers. The Personnel Department should be made responsible for training the managers, supervisors, or foremen in this respect, and evaluating the programme periodically. Several induction methods can be used depending upon the needs of the organization. It may, however be noted that specific methods are effective for specific category of employees which should be determined through intensive research programmes. Several methods of training can be effectively employed for inducting new employees.

10.8.1. The Importance of Proper Induction

The term “induction” means installation or initiation. The new recruit is installed into a position or job, and initiated into the team that makes up the workforce of the organisation. Induction is the process of introducing new recruits to an organisation and explaining their role within it. Induction processes are mainly followed keeping in mind the following points:

- Induction to the firm, its system and its people, and
- Introduction to the department and actual job/work and its requirements.

It usually begins with a guided tour of the building etc. Induction is important because impressions gained by new employees during this period can influence their perception of the organisation for many years to come. Also, good induction procedures help employees fit into strange and initially uncomfortable environment quickly and without fuss. Newcomers invariably join the organisation wanting to succeed. They wish to do a good job, to be accepted by their colleagues, and generally to become part of the organisation. Induction procedures should help recruits achieve these objectives.

It may be regarded as a positive step, as distinguished from the negative weeding out unsuitable candidates during selection. Placement means the assignment of specific jobs to individuals, and their adoption or assimilation in the working team or family. As a matter of fact, induction is the process by which effective placement is accomplished.

The process of initiation may be informal, as it generally is in smaller organizations; while in larger organizations it includes a series of steps by which a new recruit is aided in fitting into the organization, becoming acquainted with supervisors and fellow employees, and achieving a personal adjustment to working relationships. The first week/months involve extensive and difficult problems of personal

adjustment, especially for new employees. The whole situation with its time-keeping schedules, new supervisors, informal social systems, hostile group behaviours, social structures, work-load, internal cliques and possible favoritism and vested interests is likely to be very different from earlier experience; and therefore it is a difficult one. Policy on induction and placement simply proposes that new recruits shall be made to feel and develop themselves as a part of the organization as early as possible. It may involve several steps:

- a) Apart from a guided tour of the premises, it would need formal/informal introduction to supervisors, fellow workers, adopting right methods of performing the job assigned, etc.
- b) It may require vocational guidance; for the particular job or trade, or skill or profession, due to either change of job or technology, or environment, to facilitate his absorption into the organization.
- c) The guidance process requires carefully balancing of interests and aptitudes of individuals against long-term prospective job-requirements. Those who are made responsible for providing such guidance need the same skills in assessing aptitudes, interests, and related traits that make up human personalities required for effective selection.

Check Your Progress - II

1) Write in short about the placement.

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2) Write a short note on the importance of inductions in the organizations.

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10.9. Summary

This Unit has attempted to help you understand the staffing process & to follow the process of selection in an organization right from the conception of an idea that a suitable person is to be put on a given job to the point of ultimately selecting the most suitable person for it, putting him or her at ease and making him or her feel at home with fellow employees, supervisor and the organization as a whole. Besides, The Unit also explained the importance and need for proper and systematic induction of a new employee in the organization. It also outlined the process of selection and recruitment along with the placement to the newcomers.

10.10. Glossary

- **Recruitment:** Recruitment is the process of identifying the prospective employees, stimulating and encouraging them to apply for a particular job or jobs in an organization.
- **Human Resource Planning:** It is defined as a strategy for the acquisition, utilization, improvement and preservation of the human resources of an enterprise.
- **Selection:** Selection is the process of examining the applicants with regard to their suitability for the given job or jobs, and choosing the best from the suitable candidates and rejecting the others.
- **Placement:** Placement is the determination of the job for which a selected candidate is best suited and assigning that job to him or her.
- **Induction:** Induction is introducing an employee to the job and to the organization.

10.11. Answers to Check Your Progress Exercise

Check Your Progress - I

- 1) Read Section 10.4.2
- 2) Read Section 10.5.2

Check Your Progress – II

- 1) Read Section 10.8.1
- 2) Read Section 10.7

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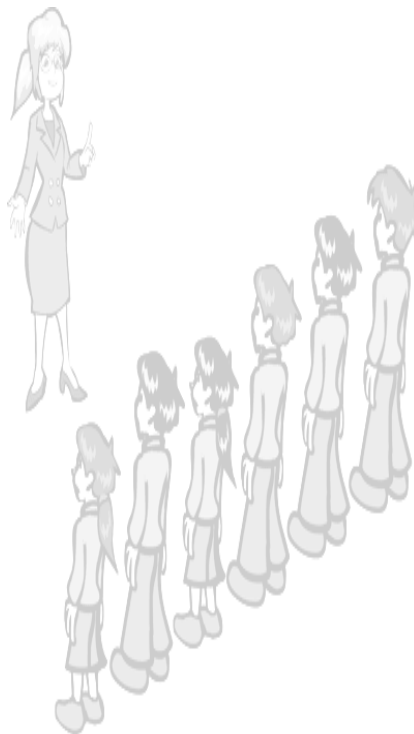
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10.14. Terminal and Model Questions

1. Describe the selection process and different selection tests used in recruiting employees in hospitality business?
2. Elaborate the meaning and process of recruitment for the hotels?
3. Write a detailed essay on the human resource planning?



UNIT 11: MEANING, PRINCIPLES AND SIGNIFICANCE OF DIRECTING

Structure

- 11.0 Introduction
- 11.1 Principles of direction
 - 11.1.1. Principles relating to the purpose of directing

11.1.2. Principles relating to direction process.

11.2 Human Factor and Directing

11.3 Managerial Models

11.4 Theories of Motivation

11.4.1 Maslow's theory of Human motivation

11.4.2 Herzberg's theory of Motivation

11.4.3 Theory X & Y of Douglas McGregor

11.4.4 Expectancy theory of V.H.Vroom

11.4.5 Carrot & stick approach of motivation

11.4.6 Equity theory of motivation

11.5 Job enrichment

11.6 Motivational Pattern in Indian Organizations

11.7 Summary

11.8 Key Words

11.9 Check Your Progress

11.10 Clues to Answers

11.11 Bibliography

11.0 Introduction

Direction is the process of instructing, guiding, counseling, motivating, and leading the human resources to achieve organizational objectives. Direction is also labeled as activating, though infrequently by some. For example, Newman and Warren have defined directing in the form of activating as follows:

“Activating deals with the steps a manager takes to get subordinates and others to carry out plans”

Most of other authors have preferred to use the term direction. For example, Haimann has defined direction as follows:

“Direction consists of the process and techniques utilizing in issuing instruction and making certain that operations are carried out as planned”

However, direction is not merely issuing orders and instructions by a superior to his subordinates but it includes the process of guiding and inspiring them. Thus, there are three main aspects of direction: motivation, leadership, and communication. From this point of view, direction has the following features:

1. Direction is an important managerial function. Through direction, management initiates actions in the organization.

2. Direction function is performed at every level of management. It is performed in the context of superior-subordinate relationship and every manager in the organization performs his duties both as a superior and a subordinate.
3. Direction is a continues throughout the life of the organization. A manager needs to give order to his subordinates, motivate them, lead them and guide them on continuous basis.
4. Direction initiates at the top level in the organization and follows to bottom through the hierarchy. It emphasizes that a subordinate is to be directed by his own superior only.
5. Direction has dual objectives. On the one hand, it aims at getting things done by subordinates and, on the other, to provide superior opportunities for some more important work which their subordinates cannot do.

11.1 Principles of direction

Direction is one of the most complex functions of the management as it deals with people whose nature itself is quite complex and unpredictable. Good and effective direction in the context of the people of diverse nature is really an art which can be learned and perfected through long-term experience, However, managers can be follow some principles while directing their subordinates. These principles can be divided into two parts (1) principles relating to the purpose of direction, and (2) principles relating to the direction process.

11.1.1. Principles relating to the purpose of directing

The basic purpose of direction is to get organizational objectives fulfilled through the integrated efforts of the subordinates. In this context, following principles are important:

a) Principle of maximum individual contribution: Organizational objectives are achieved at maximum level when every individual in the organisation contributes maximum towards this end. Management should adopt that direction technique which enables subordinates to contribute maximum.

b) Principle of harmony of objectives: Individuals join the organisation to achieve certain objectives, that is, they want to satisfy their physiological and psychological needs while working in the organisation. At the same time , organisation has its own objectives, that is, maximization of profit in a business concern. Management, through appropriate direction techniques, should try to intergrate both organizational and individual objectives. Common interst must prevail over indireduce the importance of general interests. The impact of these factors can be minimized through appropriate direction.

c) Principle of efficiency of direction: An effective direction tries to get work accomplished by subordinates without affecting their need satisfaction adversely. To provide adequate satisfaction to subordinates, it is necessary to develop correct direction techniques, effective communication system, leadership, etc.

11.1.2. Principles relating to direction process

Direction process is related with those factors which make a particular direction technique effective and efficient. Following principles in this case are important:

- a) **Principle of unity of command** : According to this principle, a person in the organisation should get orders and instructions from one superior only and he should be responsible to that superior only. Dual command, that is, getting orders from more than one superior, creates conflict, confusion, disorder and instability in the organisation. Direction should follow this principle.
- b) **Principle of appropriateness of direction technique**: There are three direction techniques----authoritarian, consultative, and free-rein. Each technique has its own relative strength. Moreover, each technique can be used in different cases depending upon the nature of superior and subordinates and the situational variables. Thus, that particular technique can be used which is the most appropriate at a particular time.
- c) **Principle of managerial communication**: In the organisation, the success depends upon effective communication between superior and his subordinates. A superior, through downward communication, passes to his subordinates orders, ideas about work, etc and through upward communication from his subordinates, he knows how his subordinates are working. Thus, effective communication both ways make direction effective.
- d) **Principle of comprehension**: Conveys to subordinates what they have to do, how to do, and when to do. Thus, understanding and comprehending of what has been conveyed by superior is important for subordinates as correct understanding enables them to get clear situation and avoid unnecessary queries and explanation from superior.
- e) **Principle of use of informal organization**: Formal organisation structure prescribes the official relationships among individuals. Besides, people working together develop certain relationships know as informal group or organisation. Through this informal group, information travels very quickly, through some times the information may be wrong. Management should try to understand, spot, and make use of such informal organisation for making direction most effective.
- f) **Principle of leadership**: Leadership is the process of influencing individuals in the organisation for goal achievement. When subordinates function efficiently, organisation goals are achieved. The subordinates are influenced through the exercise of authority and exercise of leadership. However, the former course of action has a serious limitation of affecting the morale of subordinates adversely. Thus , managers need to become leaders so that they can influence the activities of their subordinates without dissatisfying them.
- g) **Principle of follow through**: Direction is a continuous managerial process. Mere giving an order is not sufficient but management should find out whether the subordinates are working accordingly, what difficulties they are facing and in the light of these, if need be, the order can be modified or replaced.

11.2 Human Factor and Directing

Considering the importance of directing in management process, managers should make it effective. It can be successful and effective only when managers understand the nature of human beings and various models which can be adopted to match the nature. However, there is no uniformity of assumptions about the nature of human beings because man is very complex to deal with. Historically, the assumptions about people in the organizations have largely reflected philosophical positions on the nature of man and have served as the justification for the particular actions. Whole of the managerial actions have depended on such assumptions. However such assumptions have shown great variations and unanimity has eduded. For example, various man models describe man as rational, social, self-actualizing, or complex. These models make different as assumptions about the nature of human beings.

11.3 Managerial Models

Managerial models have been developed from time to time. Two such models are quite helpful in devising actions for managing people in the organizations: David's organizational behavior model and Miles's managerial model. These models have proposed managerial actions to be taken according to the nature of human behaviour.

Behavioural Model: Keith's Davis identified three models of organizational behavior autocratic model, custodial model, and supportive model. Later, he added a fourth model – collegial model. He has summarized these models as presented in table

| | AUTOCRATIC | CUSTODIAL | SUPPORTIVE | COLLEGIAL |
|--------------------------------|-------------------|-------------------------|-------------------|-----------------------|
| Depends on | Power | Economic resource | Leadership | Partnership |
| Managerial orientation | Authority | Money | Support | Teamwork |
| Employee Orientation | Obedience | Security | Job Performance | Responsible Behaviour |
| Employee Psychological Result: | Depends on Boss | Depends on organization | Participation | Self discipline |
| Employee needs met | Substance | Maintenance | Higher – order | Self – actualization |

| | | | | |
|--------------------|---------|---------------------|-----------------|---------------------|
| Performance Result | Minimum | Passive Cooperation | Awakened drives | Moderate enthusiasm |
|--------------------|---------|---------------------|-----------------|---------------------|

Models of Organizational Behaviour

a) Autocratic Model: In the autocratic model managerial orientation is towards power. Manager's see authority as the only means to get the things done, and employees are expected to follow orders. The result is high dependence on boss. This dependence is possible because employees live on the substances level. The organizational process is mostly formalized, the authority is dedicated by right of command over people to whom it applies. The management decides what is the best action for the employees.

b) Custodial Model: In the custodial model, the managerial orientation is towards the use of money to pay for employee benefit. The model depends on the economic resources of the organization and its ability to pay for the benefits. While the employees hope to obtain security, at the same time they became highly dependent on the organization. An organizational dependence reduce personal dependence on boss. The employees are able to satisfy their security needs or in the context of Herzberg's theory only maintenance factors. These maintenance factors provide security but failed to provide strong motivation.

c) Supportive Model: The supportive model of organizational behavior depends on managerial leadership rather than on the use of power or money. The aim of managers is to support employees in their achievement of results. The focus is primarily on participation and involvement of employees in managerial decision – making process. The model is based on principles of supportive relationship.

d) Collegial Model: The collegial model is further development of supportive model. This model is based on the team concept in which each employees develop high degree of understanding towards others and shares common goals. Control is basically self-disciplined by the team members. The organizational climate is quite conducive to self-fulfillment and self-actualization. This model is best suitable for managing professionals, normally in unprogrammed task that require behavioural flexibility.

11.4 Theories of Motivation

11.4.1 Maslow's Theory of Human Motivation

Abraham Maslow, a famous social scientist & a psychologist, developed a theory of motivation which is based on the hierarchy of needs. According to him there are five kinds of needs viz., physiological, safety, esteem & self actualization as explained below in the chart.

- 1. Physiological Needs** – Physiological needs (e.g. food, shelter, clothing, water, air, sleep, etc.) refer to those needs which are so essential. The survival of human beings would be in danger if these needs are not satisfied. These needs are biological in nature & keep the body fit. There is a famous saying that a man can live on bread alone if there is no butter.

2. **Safety Needs** – After the physiological needs are satisfied to a reasonable degree, the safety needs take the place. E.g. security of job, pension for old age, insurance plan, compensation for lay off or retrenchment.. In choosing a job, security needs play an important role.
3. **Social Needs** – Social needs include need for love, affection, friendship, acceptance by group, etc. A man is a social being & he has a need to love & to be loved. Workers form informal groups for having a meaningful relationship with others. Management should not object to such groups except when they are detrimental to the organization.
4. **Esteem Needs** – These needs are concerned with one's self esteem such as self respect, self confidence, status, recognition, approval, appreciation, etc. The satisfaction of these needs produce s a feeling of self confidence among the employees. The employees should be praised for good work done since it amounts to recognition. Of their work.
5. **Self Actualisation Needs** – These needs include need for self development, self actualization, self advancement, desire to take an increased responsibilities etc. Not many employees try to satisfy these needs but an employee who wants to develop, will feel restlessness till he satisfies their need. According to Maslow, this need might be phrased as the desire to become more & more what one is, to become everything that one is capable of becoming.

Maslow's motivation theory emphasizes three basic ingredients:

- A man is a social animal & he always desires for more & more. His needs are of many types.
- There is a hierarchy of these needs. i.e. these needs are arranged in a series of preference. After the lower level needs are satisfied, the needs of the higher level take their place. A man whose stomach is full becomes conscious of the other needs.
- A satisfied need can never work as a motivator. Only those needs which are not satisfied act as a motivator for influencing the human behaviour.

11.4.2 Herzberg's Theory of Motivation

Frederick Herzberg developed the two factor theory popularly known as Motivational Hygiene Theory. It was based on the contents of interviews conducted on 200 engineers & accountants. He found that there are two sets of needs viz:

1. **Hygiene or environmental factors** – These factors such as interpersonal relations with supervisors, salary, security, working conditions, status, do not motivate although they result in job satisfaction. Thus the absence of extrinsic actors causes dissatisfaction among the employees. They absence of extrinsic factors causes dissatisfaction among employees. They are called Extrinsic factors because they are considered outside the work being performed. Traditionally, the management used to perceive these factors as motivators.

2. **Motivational Factors** – These factors are intrinsic factors because they are real indicators of job satisfaction & primarily exist where the work being carried out. These factors include recognition, opportunity for growth, increased responsibility, challenging work, potential for personal growth.

In brief Herzberg's theory lays down that:

- The absence of first set of factors lead to dissatisfaction although they are not motivational factors. These are referred as extrinsic as they come from the external environment of the person.
- The second set of factors are important as they provide satisfaction to employees & are termed as motivational factors as intrinsic factors.
- Herzberg's approach to motivation is based upon the fact that the country is rich & affluent.
- According to this theory, Money is not a motivational factor as it has been included in the Hygiene factors. This theory cannot be applied to poor or developing countries where money is still regarded as a greatest motivator.

Comparison of Maslow's Theory & Herzberg's Theory

- There is a great similarity between Maslow & Herzberg models as both stress on different needs of individuals.
- The needs of individuals at a higher level of hierarchy of Maslow have been referred as motivators by Herzberg.

Thus Herzberg two factor theory is nothing but an addition to Maslow theory of motivation.

Dissimilarities

- Maslow formulated his model on the basis of experience whereas Herzberg developed his theory on the basis of empirical studies.
- Maslow takes into account all needs of individuals whereas Herzberg looks at only those needs which are concerned with the environment.
- Maslow considers lower level needs such as pay, safety, working conditions, etc., as motivators whereas Herzberg considers these only as hygiene factors & not motivators.
- Maslow theory is applicable to all types of employees whereas Herzberg's theory is mainly applicable to professional persons.

11.4.3 Theory X & Y of Douglas McGregor

Douglas McGregor has given two theories of human behaviour in his book 'Human Side of Enterprise'

- A) **Theory X Assumptions:** Theory X is based upon the conventional approach to management which is based on the following assumptions:

- The ordinary man is not interested in work & he is lazy, passive & tries to avoid the work.
- In the absence of direction & control, members of the organization will not work out relations among their positions.
- The individual & organizational goals are different.
- Average man is devoid of self discipline & self control & wishes to avoid responsibility.
- Average man tends to submit himself to the control & direction of others.
- The members of the organization prefer security.

These are all negative assumptions about human beings. It treats labour as a commodity which can be hired & fired anytime. This theory advocates autocratic management & suggests carrot & stick technique for human motivation. Thus under theory X, we have conservative style of management.

B) Theory Y Assumptions: Theory Y assumes the positive traits about human beings which are explained below:

- The average human being does not dislike the work. Work is, in fact, a source of satisfaction & an employee will perform it voluntarily or consider it a source of punishment in which case he will try to avoid it.
- Man will exercise self control & self direction.
- Commitment to enterprise objectives is a result of rewards associated with their achievement. People select goals for themselves when they find that their efforts are being rewarded.
- The average individuals not only accept responsibility but seek it. Avoidance of responsibility is not inherent in the characteristics of human beings.
- The capacity to exercise a relatively high degree of imagination, ingenuity, & creativity in the solution of organizational problems is widely distributed in the population.
- Under conditions of modern industrial life the intellectual potentialities of people are only partially utilized. Human beings have unlimited potentialities.

Thus theory Y stresses on the satisfaction of needs of human beings. It leads to a preoccupation with the nature of relationships with creating an environment which will encourage commitment to organizational objectives & which will provide opportunities for the maximum exercise of initiative, ingenuity & self direction in achieving them.

Thus theory X & Y represent diametrically opposite views about the behaviour of human beings. Theory X lays stress on direction & control of members of the organization from the top whereas theory Y relies heavily on self direction & self

control. When employees are unskilled, illiterate, ignorant & poor, theory X will be favoured. On the other hand, where employees are literate & well informed theory Y will be applicable.

11.4.4 Expectancy Theory of V.H.Vroom

V.H.Vroom criticized two factor theory of Herzberg & proposed Expectancy Theory of motivation. His theory lays stress on the fact that employees have certain built in expectation from the jobs they perform. Thus

$$\text{Motivation (force)} = \text{Valence (attitude/strength)} \times \text{Expectancy}$$

Valence refers to strength of an individual's preference for a particular outcome. It can be positive or negative. Expectancy refers to the probability that a particular action will lead to the outcome. Thus activity, motive reward are the three components of the total chain. If a person finds that his effort will result in accomplishing a task & that will further result into reward, he is motivated. Thus an employee may work very hard to achieve the goals of the enterprise for a reward which may be in the form of promotion or more pay.

Thus the theory

- Recognizes individual differences in motivation
- Seems more realistic in approach
- Lays stress on harmony of objectives, i.e., individual goals are not different from organizational goals.
- Is completely consistent with the system of management by objectives.

11.4.5 Carrot & Stick Approach of Motivation

There is an old story of a donkey before whom a carrot was placed & there was a man with a stick in his hand at the back. If the donkey moves, carrot is the reward & if it does not stick is the punishment. Thus people are motivated to work in the hope of getting carrots viz., more pay, promotion etc. In order to refrain them from an undesirable behaviour, punishments are imposed. However, the mixture of carrot & stick should be judiciously used.

11.4.6 Equity Theory of Motivation

A worker always compares his performance with his co workers. If one worker is slow & less active, he may make his fellow workers also like him. This theory suggests that all employees should be treated equally but only those employees should get promotion who show better performance. This acts as a motivator for all employees to show better performance.

Theory Z

F.L.Urwick has advocated theory Z which lays stress on the behaviour of employees for achieving organizational goals. According to Urwick, each individual should know the organizational goals & he should be confident that the

accomplishment of these goals will affect his needs positively. Urwick's theory Z lays down four essentials:

- Sound bond between organization & employees.
- Participation of employees in decision making.
- No formal structure of organization, just like a basketball team which plays well without formal reporting.
- Co ordination of human beings.

Thus theory Z suggests complete change or transformation of motivational aspects of employees.

11.5 Job Enrichment

The concept has been derived from Herzberg's two factor theory of motivation in which he has suggested that job content is one of the basic factors of motivation. If the job is designed in such a manner that it becomes more interesting & challenging to the job performer & provides him opportunities for achievement, recognition, responsibility, advancement & growth, the job itself becomes a source of motivation to the individual. This is done through job enrichment which has been defined as follows:

Job enrichment is concerned with designing jobs that include a greater variety of work content; require a higher level of knowledge & skill; give workers more autonomy & responsibility in terms of planning, directing & controlling their own performance; & provide the opportunity for personal growth & a meaningful work experience.

11.6 Motivational Pattern in Indian Organizations

Various research studies have been conducted in Indian context to find out what motivates people for better performance. These researches are concerned mostly to find out applicability or non applicability of these theories in Indian environment. This is so because motivation is a complex problem as shown by various theories & is determined by both individual & organizational factors. As such, it is not necessary that many of the theories developed in economically advanced countries may apply to Indian situations because ours is basically a developing country & situational variables may be quite different as compared to advanced countries.

When we take human beings in organizations for analyzing motivational pattern, we identify two groups of individuals – managers & workers. While there are some common problems in terms of their need fulfillment & satisfaction associated with them as human beings, workers tend to identify themselves distinctly. This is so because management enjoys certain authority in the organization to make & implement the decisions, while workers are devoid of such authority. Management actions, to a very great extent, affect the interest & need satisfaction of the workers. Further, family & social background, level of education & competence, aspiration & growth avenues in the organizations create distinction between the expectations

of managers & workers while working in the organization. Some of the studies have focused their attention on motivation of managers while others have analyzed motivation of workers.

The results of the various studies on the motivational pattern of managers & workers are quite different & even contrasting. This situation may be because of the differences in:

- Research design used for the studies
- Organizational characteristics from where the samples have been drawn
- Perhaps the timing of various studies. Therefore, definite conclusions cannot be drawn regarding the adoption of motivational strategy based on the results of these studies. Notwithstanding, some broad conclusions may emerge & trends can be located in regard to relative importance of various job factors. These can be summarized as follows:
 1. Financial benefits, job security & promotion are not motivating factors for management groups whereas these can be motivators for the workers.
 2. Recognition of work emerges as one of the most important factors for motivating people – both managers & workers. This fact, however, must be seen in the context of the first conclusions, that is, what is the outcome of the recognition of good work.
 3. Factors contributing to dissatisfaction are the lack of explicit company policy & administration, lack of opportunity for growth.
 4. Top level managers value achievement & self actualization while middle level managers value advancement, type of work & feeling of worthwhile accomplishments. These factors are however not so important for workers.

11.7 Summary

Now the question is: will it be possible to design a motivation policy for an organization based on the results of these studies? The answer may be affirmative but certain precautions have to be kept in mind, such as the organizational correlates – nature, size, age & location; & groups of people involved – top management, middle management, lower management & workers. Thus, if two groups of variables – organizational & individual can be combined properly, a suitable motivation policy may emerge. When both these are combined & motivational pattern analysed, the results may be more significant & applicable in a particular situation. Naturally, homogeneously in motivation pattern cannot be expected for all the people & for all the organizations. Various conclusions emerging from the results of the different studies may be only guiding factors. Three points should, however, be given adequate consideration while designing motivational policy based on these results.

- The human motivation is not inherent or stable rather it is flexible & may be changed or modified by situational variables.
- The amount of an incentive that is offered to individual for satisfying his motives should be adequate. This is important because sometimes the

presence of motivating factors fails to produce any effective result, particularly when its amount is too small.

- Since human beings differ in their ability & approach, they cannot be motivated to an equal extent. Some people, if motivated beyond certain extent, may feel frustration & the outcome may be negative.

11.8 Key Words

- Concept of direction
- Directing and Human behavior
- Importance of direction
- Managerial models
- Principles of direction
- Job Enrichment
- Theories of Motivation

11.9 Check Your Progress

Q-1) Define direction and explain the features of direction

Q-2) Explain two principles of direction

Q-3) Explain the Maslow's Theory of motivation

11.10 Clues to Answers

See Sec. 11.0

See Sec.11.1

See Sec. 11.4.1

11.11 Bibliography

- L.M.Prasad Principles and Practice of Management S.Chand & Sons, 2004
- R.S.Gupta, B.D.Sharma, & N.S.Bhalla Principles and Practice of Management Kalyani Publishers, 2006

Model Question Paper

1. How would you define motivation
2. Explain the meaning and significance of motivation

3. Explain theory X and Y of Douglas McGregor
4. Briefly explain the any two theories of motivation
5. What are self- actualization needs
6. Define job enrichment
7. Draw the managerial model and explain it
8. What are the motivational pattern in Indian organization
9. What is custodial model
10. What is equity theory of motivation



UNIT12: LEADERSHIP– THEORIES AND TYPOLOGIES

Structure

- 12.1 Introduction



- 12.2 Objectives
- 12.3 Meaning and Definition of Leadership
- 12.4 Characteristics of Leadership
- 12.5 Functions of Leaders
- 12.6 Importance of Leadership
- 12.7 Leadership Styles
- 12.8 Leadership Theories
- 12.9. Summary
- 12.10. Glossary

12.1 Introduction

In the previous units you have acquired knowledge about the Directing and Staffing for the tourism business managers. The present unit aims to provide you in-depth knowledge about the meaning, role functions and styles of leadership.

In giving the input on leadership styles and influence process to you, our main aim is to understand and improve your style of functioning as a leader. To start, with, you must have clear ideas as to what is meant by leadership. Leadership is the activity of influencing people to strive willingly for group objectives. As you can see, this process is a function of the leader, the followers and the situation. In any situation where you are trying to influence the behaviour of another individual or group, leadership is operating. Thus each one of us tries leadership at one time or the other, whether our activities are centered around a business, educational institution, hospital, political organization, Government organization or a family. As part of this process, one who attempts to influence the behaviour of others becomes a potential leader and the persons he or she is attempting to influence are the potential followers. This may happen irrespective of the fact that the leader may be their boss or a colleague (associate) or a subordinate or a friend or a relative. In other words through a style of functioning he or she influences attitudes and expectations, which in turn encourage or discourage the follower's activity or achievement, enhance or diminish the follower's commitment to the work, etc.

In our day-to-day life, we come across instances of how people are influenced by the activities or words of a person who is trying to lead them. We always make judgments about the leaders in our own office. In our mind, we make a difference between a good leader and a bad one, by judging the style or way of functioning and the influence on others. Hence, in understanding the phenomenon of leadership, we must first understand the various styles of the leaders.

12.2 Objectives

The objectives of this unit are to:

- Introduce you to leadership and its characteristics,
- Functions of the leaders in the hospitality organizations,
- Familiarize you with various theories and styles of leadership, and
- Create awareness that leadership is a process of shared influence on the work group.



12.3 Meaning and Definition of Leadership

Leadership is one of the means of direction and represents the part of manager's activities by which he guides and influences the behaviour of his subordinates and the group towards the accomplishment of some specified goals. Leadership is a great quality that can create and convert anything. Leadership is the ability to influence the actions of an individual or a group for the achievement of goals in a given situation. Some of the important definitions of leadership are given below:-

"Leadership is the ability of a manager to induce subordinates to accomplish their goals with zeal and confidence"

- Koontz and O'Donnell

"Leadership is the lifting of man's visions to higher sights, the raising of man's performance to higher standard, the building of man's personality beyond its normal. limitations"

- Peter F. Drucker

"Leadership is the ability to secure desirable actions from a group of followers voluntarily without the use of coercion."

- Alford and Beatty

"Leadership can be defined as the process by which an executive imaginatively directs, guides and influences the work of other in choosing and attaining specified goals by mediating between the individual and the organization in such a manner that both will obtain maximum satisfaction."

- Theo Haiman

Simply stated, leadership is the process of influencing the people towards accomplishment of organization goals. It is the manager's ability to induce subordinates to accomplish their goals with zeal and confidence.

12.4 Characteristics of Leadership

From the above definitions following characteristics of leadership can be drawn:

1. Leadership is a personal quality of behaviour and character in a man which helps in exercising personal influence on individuals.

2. Leadership helps others in attaining specific goals to the maximum satisfaction of the leader.
3. Leadership is a continuous process.
4. Leadership establishes relationship between the individual and group around some common interest.
5. Leadership is exercised in a particular situation. The variation in situation also affects the effectiveness of leadership.
6. Leadership is the process of guiding, directing and influencing the people to do their best for the attainment of specified goals.

12.5 Functions of Leaders

Leading is an activity on the part of the managers to get something done by others, willingly and not by compulsion. The functions of a leader can be detailed as follows:

1. **Taking the initiative:** The first and foremost job of a leader is to take the lead in all activities. He should not depend upon others for guidance and direction to do any work. He himself should be present in the field, lay down the goals, commence its implementation and see that the goals are achieved as per the predetermined targets.
2. **Representing the enterprise:** Since a leader is the true representative of the entire organization, he should represent the enterprise and its objectives not only to those serving in it but also to the others in the outside world.
3. **Interpreting:** A leader is expected to give reasons for his every order. It is a delicate task of the leader. He has to give instructions in such a way that they are clear to all concerned. If the instructions are irrational, they are bound to be ineffective.
4. **Guiding and directing the organization:** It is the primary function of the leader to guide and direct the organization. He has to issue the necessary orders and instructions and see that they are communicated properly. He should guide and advice people and direct their behavior for the achievement of organizational goals.
5. **Encouraging team work:** Without team work, a leader cannot succeed in his task of accomplishing organizational goals. Thus, a leader must try to win the confidence of his subordinates.

12.6 Importance of Leadership

One of the important roles of the manager is the informational role wherein a manager seeks information from his or her peers, subordinates and others about anything relating to their jobs and responsibilities. He or she is at the same time a disseminator of information about his or her job and the organization to those who are concerned with it. As such a considerable part of managerial time is devoted to receiving or disseminating information i.e. in communication, inside or outside the organization. The top and middle level managers typically devote 60 to 80 per cent of their total working hours to communicating. In service organizations like hotels, restaurants, travel agencies, etc. communication is a vital managerial

requirement as the production and consumption of the service, in most of the cases, takes place simultaneously. According to Peter Drucker, good communication is the foundation for sound management. The managerial functions of planning, organizing, directing and controlling depend on communication in an enterprise. For planning to be realistic, it is essential that it is based on sound information which is not possible without a good system of communication existing in an enterprise. The latest developments in the market, if not communicated to the planners, would make their future plans totally meaningless. Adaptation to external environment on which rests the survival of the business may not be possible without good communication. Again in order to reach the objectives, it is necessary that leadership is exercised, decisions made, efforts coordinated, people motivated and operations controlled. Each of these functions involves interaction with the people in the organization and leads to communication. The most important aspect of organizational life for a manager is communication, and his or her success will depend upon how effectively he or she can communicate with others in the organization. In other words, how successfully he or she can put the ideas across to those who work with him or her and thereby, persuade others to work in the direction of the achievements of goals of the organization.

12.7 Leadership Styles

The word style is the way in which the leader influences followers. Let us have a look at the various studies that help us to understand the leadership styles.

12.7.1. Hawthorne Studies: Mayo and Roethlisberger

They did a series of studies from 1924 to 1932 in an electricity company, at Illinois, in USA. These studies are known as Hawthorne Studies.

One phase of these studies aimed at finding out if changes in illumination, rest period and lunch breaks can affect the productivity of the workers. It was found to the surprise of the researchers that less light, shorter and fewer rest periods and shorter lunch breaks resulted in an increase in productivity. And once all these changes were eliminated and the normal working conditions were resumed, it was also seen that the worker's productivity and the feeling of being together went up. The increase in productivity was attributed to the attitude of workers towards each other and their feeling of togetherness. In addition, attention paid to the workers by the researches made them feel important which resulted in improvement in their work performance. This is known as Hawthorne effect. These findings made Mayo and Roethlisberger conclude that a leader has not only to plan, decide, organize, lead and control but also consider the human element. This includes social needs of being together and being recognized for the work interaction of the group members with each other and their well being. A good leader ought to keep the above aspects in his or her style of working with people and supervising their work.

12.7.2. Theory X and Y: McGregor (1960)

They categorized leadership styles into two broad categories having two different

beliefs and assumptions about subordinates. He called these **Theory X and Theory Y**.

The Theory X style of leaders believes that most people dislike work and will avoid it wherever possible. Such leaders feel they themselves are a small but important group, who want to lead and take responsibility, but a large majority of people want to be directed and avoid responsibility. Therefore, this style of leadership exercises strong controls and direction and wherever necessary punish people if they do not do the work. If people do the work as desired, they may even get monetary or other rewards.

Theory Y leaders assume that people will work hard and assume responsibility if they can satisfy their personal needs and the objectives or goals of their organization. Such leaders do not sharply distinguish between the leaders and the followers in contrast to Theory X style. They feel that people control themselves within rather than being controlled by others from outside such as a leader or a manager or a supervisor.

An effective leader needs to examine carefully his/her ideas about the motivation and behaviour of subordinates and others, as well as the situation, before adopting a particular style of leadership.

12.7.3. Iowa Leadership Studies

In 1939 **Lippitt and White** under the direction of **Lewin**, did a study on three different styles of leadership in the task performance of ten-year old boys in three groups. The authoritarian leader of the group was very directive. He did not allow any participation. He was concerned about the task and told the followers what to do and how to do it. He was friendly while praising the performance of the individual member and was impersonal while criticizing the individual member. In the other group, the democratic leader encouraged discussion with the group and allowed participation in making decision. He shared his leadership responsibilities with his followers and involved them in the planning and execution of the tasks. The Laissez-faire leader of the third group gave complete freedom to the group and did not provide any leadership. He did not establish any policies or procedures to do the task. Each member was let alone. No one attempted to influence the other.

The researchers selected boys of the same intelligence level. Each group did the same task of making paper masks or model air - planes or murals or soap cravings. The room used by the three groups remained the same. The three group leaders assumed different styles as they shifted every six weeks from group to group. The researchers under the direction of Lewin, who did several studies on group, were trying to see how different styles of leadership could change the satisfaction, frustration -aggression levels of the individuals. One definite finding was that nineteen out of twenty boys liked the democratic leadership style. That kind of a leader never tried to boss over them, yet they had plenty to do. The only boy who liked authoritarian style kind of leadership happened to be the son of an army officer. It was also observed that seven out of ten boys preferred the laissez- faire leader to the autocratic one as they preferred confusion and disorder to strictness

and rigidity present in the autocratic style. Boys under the latter style exhibited more of aggressive, hostile and indifferent behaviour as compared to their counterparts under other styles of leadership. They either showed hostility or cracked jokes about hostility towards others. Others belonging to the democratic style of leadership showed less aggressive and more indifferent behaviour when brought under the autocratic style of leader. Even under the **laissez-faire** style of the leader, boys committed more aggressive acts than the ones under the democratic style.

Of course, a study on ten year old boys in making paper masks or soap carving, etc. cannot be compared to leader behaviour of adults with complex jobs. But like the studies of **Mayo** and **Roethlisberger**, the studies by **Lewin**, **Lippitt** and **White** are a pioneering effort in understanding leadership styles from the point of scientific methodology. They also throw light on how different styles of leadership can produce different complex reactions from the same or similar groups.

12.7.4. Michigan Studies on Leadership Styles

Likert (1961) at University of Michigan Survey Research Centre identified two major styles of leadership orientations– **employee orientation and production orientation**. The employee oriented style of the leader emphasises the relationship aspect of the jobs of the individual. Such a leader takes interest in every one and accepts the individuality and personal needs of the individual. He or she has complete confidence and trust in all matters in his or her subordinates. His or her subordinates feel free to discuss things about their jobs with their superior. He or she always asks subordinates for ideas and opinions and always tries to make constructive use of them.

The production oriented style of the leader emphasizes production and technical aspects of the job. He or she looks at subordinates or employees as tools to accomplish the goals of the organization. Work, working condition and work methods are tried to be understood better in this style of the leadership orientation. **Likert** related these orientations to the performance of the employees. He showed that the employee oriented style brought high-producing performance compared to production-oriented style. Of course, the satisfaction of employees was not directly related to productivity in Likert's study.

12.7.5. Scientific Manager's Style

Taylor (1911) emphasised the importance of having management and labour work in harmony to maximise profits. The basis of his scientific management was technological in nature. It was felt that the best way to increase output was to improve the techniques or methods used by workers. Therefore, profit can be maximised by using a systematic and scientifically based approach to the study of jobs. Though, Taylor was not trained as a manager, he relied on scientific study of time and movement spent and used for a job to improve the performance of the worker. According to the scientific managerial style, management of a work organisation must be divorced from human affairs and emotions and people have to adjust to the management and not management to the people. Once jobs are

recognised with efficiency in mind, the economic self-interest of the workers could be satisfied through various incentive work plans such as piece rate system of payment, etc. The leader is assumed to be the most competent individual in planning and organising the work of subordinates according to **Taylor's principle** of scientific management.

Various studies reflecting different styles of functioning of a leader have been stated above, which highlight how the leader simultaneously pays attention to the:

- a) task to be accomplished by the group, and
- b) needs and expectations of the group and its individual members.

Exactly how the leader goes about attending to these two functions is a matter of his or her leadership style. Many theories have been suggested by the researchers regarding which leadership style is most effective. Even the above two functions can have different descriptions for different leaders. But in course of time every leader develops a particular style which reflects his or her own ideas and perspectives on the relative importance of task and people. However, the effectiveness of the leadership style is also dependent on the environment and organisational structure of the organisation. We should now consider in what ways we can enrich the understanding of various styles of leadership by making ourselves familiar with some important theories of leadership.

Check Your Progress- I

1) Write note on the characteristics of leadership.

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2) Write short note on the Scientific Manager's Style of leadership.

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12.8 Leadership Theories

In this Section we discuss certain theories related to leadership.

12.8.1. Trait Theory

This theory as described by **Kelly** (1974) attempts to classify what personal characteristics such as physical, personality and mental, are associated with leadership success. **Trait theory** relies on research that relates various traits to the success of a leader. A lengthy list of traits has been made to describe an

effective leader in terms of certain characteristics. A board classification of six categories of traits is given below:

1. **Physical characteristics** of the leader, such as age, height, weight.
2. **Background characteristics** i.e. education, social status, mobility and experience.
3. **Intelligence** i.e. ability, judgement, knowledge.
4. **Personality** i.e. aggressiveness, alertness, dominance, decisiveness, enthusiasm, extroversion independence, self-confidence, authoritarianism.
5. **Task-oriented characteristics** i.e. achievement need, responsibility, initiative, persistence.
6. **Social characteristics** i.e. supervisory ability, cooperativeness, popularity, prestige, tact, diplomacy.

These characteristics according to some people are considered valid indicators of successful leaders, but if you compare leaders by various physical personality and intelligence traits, you may find very little agreement on these. Some findings point out to the fact that leaders are intelligent individuals. But they do not provide any clue as to the whether leaders are brighter than their followers or are as close to them in intelligence. Again, some of the personality traits are overlapping with each other. Therefore, you need to be cautious in stating, personality or any other characteristic as a cause of successful leadership. You must ask the questions: Who is a successful leader? Is he or she far superior physically? Is he or she far brighter? Is he or she more mature as a person? Is he or she more motivated to achieve his or her goal? Does he or she have more consideration for his or her followers? etc.

Some of the traits may describe a successful leader but predicting successful leaders on the basis of traits alone is not a correct approach. The followers have a significant effect on the job accomplished by the leader. Trait theory completely ignores the followers and the situations that also help a leader to be successful. Secondly, we should also weigh in our own mind, which of the objectives, 'confident' or 'independent' or 'intelligent' is relatively more important in becoming a successful leader. You may observe one or all the above traits as important in a successful leader whereas your friend may feel that an enthusiastic, aggressive and authoritarian person is a good leader. To be more objective, traits of the person as well as demand of the situation together determine the effectiveness of the leader.

12.8.2. Group and Exchange Theories of Leadership

These theories as reported by **Hollandder and Julian** (1969) state that the leader provides more benefits or regards than burden or costs for followers who help him or her achieve the goal of the organisation. There must be a positive exchange between the leader and followers in order for group goals to be accomplished. The leader can give rewards to his or her followers in the form of praise or pay increase or promotion for accomplishment of the group goal or task. This has positive impact on attitudes, satisfaction and performance of the

followers. In return, they respect the leader and give due regard for his or her status and esteem and believe in his or her heightened influence. As you are already aware, a leader emphasises initiating structural change when followers do not perform very well. He or she increases his or her emphasis on consideration when the followers do a good job. In return, the perception of his or her followers of his or her being an effective leader increases. Hence the leader and the followers mutually affect each other.

12.8.3. Social Learning Theories

This theory by **Bandura** (1977) states that there is a continuous reciprocal interaction between person, environment and behaviour .

Person and environment function in conjunction with the behaviour itself and reciprocally interact to determine behaviour. A person, through his or her actions, produces the environmental conditions that affect his or her behaviour in a reciprocal fashion. The experience generated by behaviour also partly determines what a person becomes and can do. This in turn affects subsequent behaviour. The theory is called **social learning theory** because, individuals learn in an environment in the process of interacting with each other which is a social process. You will appreciate the application of this theory in understanding the behaviour of a leader and the continuous reciprocal interaction between the person (leader's cognitions) and environment (including subordinates and their needs, experiences, objectives in the organization, abilities, skills, energy performance, etc. known as contingencies that regulate their behaviour). Thus a social learning approach to leadership.

The three aspects of this theory of leadership assume that the leader knows how his or her behaviour is controlled by various needs, situations and experiences that one undergoes. The leader and the subordinates jointly attempt to discover ways in which they can manage their individual behaviour to produce mutually satisfying as well as organisationally productive outcomes. In this approach, the leader and subordinates have a negotiable and interactive relationship. They are continuously aware of how they can modify or influence each other's behaviour by giving the rewards or holding back the performance respectively.

12.8.4. Path-goal Leadership Theory

Theory by **House** (1971) states that the leader smooth out the path towards goals and provides rewards for achieving them. As a leader, you should understand the needs of the people and their desire to work or behave in a way that accomplishes goals that satisfy those needs. This theory is based on a situation of the above kind. If you know the need of the person and his or her desire to work and he or she is able to accomplish the work, you can reward to make him or her feel happy and satisfied. In essence, you are doing three things; One, you are motivating the members of the group by clarifying the path to personal rewards that result from attaining personal goals. You have thus 'fixed' him or her on the job and made him or her see that his or her performance can lead to positive or negative rewards. Two, you have already made the path-goal clear to the member

and also told him or her about what the job-requires. You need not say too many things about the job to him or her as this may decrease the interest in the work and deter performance. Three, you must offer the reward to the member of the group who actually accomplishes the task. Your rewards may be a praise or increase in the pay or promotion of the member to a higher position. Your judgement about the desirability of the member to a higher position is crucial. Your judgement about the desirability of the member's effort and the goal helps you to decide whether a reward can be given.

It is very important for the leader to know every member as a person, in order to use a style to get the best out of the member. For example, a task-oriented leader is preferred by a highly achievement-oriented member, whereas a person-oriented leader is preferred by a person who needs a good deal of affiliation with others.

Similarly it does good for the leader to know each situation to adjust his or her style of functioning for better results. With a clear task on hand, members feel satisfied if the leader is supporting them. They may not show a lot of output, but they are satisfied. On the other hand with a less clear or more vague task on hand, members show more output, if the leader directs them to work better. The member in this situation may not be very satisfied.

In most of the Indian work settings, it is usually observed that members are quite dependent on the leader or the superior. They also are quite conscious of their status, but have very little commitment to work. **Singh** (1980) suggests that the leader who is task-oriented and nurtures the dependence of members on him is most effective in dealing with such members. He or she can get the work done in his nurturant task style from the members of group. To a great extent, he knows characteristics of the members' work group, which he utilises in making the leadership style-oriented, effective and getting the work done.

From the above discussion, it is clear that a leader is a person who has ability to persuade others to get the work done. You must have seen a person having the title of a leader. He or she may be very popular, but may not have the ability of leadership.

Many leaders try to become popular by agreeing with everyone, thus avoiding any kind of conflict. Their influence on the subordinate or members of the work group may not be very lasting. There are leaders, who by virtue of their ability to exercise authority and power show better influence on members. It is therefore necessary for you to understand the authority of a leader and his or her sources of power, which help him or her to exercise influence on the subordinates.

Check Your Progress- II

1) Describe the trait theory of leadership.

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2) What do you understand from Group and Exchange Theory of

Leadership?
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12.9. Summary

In this Unit you have been exposed to leadership as a process of influence on others to work willingly for group objectives. You have also come across different leadership styles, such as Human relations style, theory X and Y style, Authoritarian, Democratic and **Laissez-faire** style, Employee-oriented, Production-orientation styles, and Scientific Managerial styles. Styles have been related to various theories of leadership such as Trait theory, Group and Exchange theory, Social Learning theory, Contingency Theory and Path-goal theory.

12.10. Glossary

- **Authoritarian Style:** The assumption that the power of leaders derived from the position they occupy and that people are innately lazy and unreliable.
- **Contingency Theory:** A theory that considers an organisation's objective, environment and leadership skills, as interacting and affecting the effectiveness of a leader.
- **Group and Exchange Theories of Leadership:** These theories state that the leader provides more benefits and rewards burdens or costs for followers who help him achieve the goal of the organisation.
- **Hawthorne Effect:** When worker's behaviour changes and productivity increases because the workers become aware of their importance.

12.11. Answers to check your progress exercise

Check Your Progress - I

- 1) Refer Section 12.7.5.
- 2) Read Section 12.4.

Check Your Progress - II

- 1) Read Section 12.8.1.
- 2) Read Section 12.8.2.

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12.14. Terminal and Model Questions

- Elaborate the prime functions of leaders in the hospitality trade?
- Write an essay on the chief leadership theories?
- Write a detailed essay on the Michigan Studies on Leadership Styles?

UNIT13: MOTIVATIONS- MEANING, DEFINITION AND THEORIES

Structure

- 13.1 Introduction
- 13.2 Objective
- 13.3 The Motivation Process
- 13.4 Theories of Motivation
- 13.5 Suggested Readings



13.6 Terminal and Model Questions

13.7 References / Bibliography

13.1 Introduction

We have already studied about the motivation theories in Unit 11 also, in this unit we will study about the different processes of motivation & theories of motivation. People differ by nature, not only in their ability to perform a specific task but also in their will to do so. People with less ability but stronger will are able to perform better than people with superior ability and lack of will. Hard work is crucial to success and achievement. This belief was underscored by Albert Einstein when he said that “genius is 10% inspiration and 90% perspiration”. This will is known as motivation.

The force of motivation is a dynamic force setting a person into motion or action. The word motivation is derived from motive that is defined as an active form of desire, craving or need that must be satisfied. All motives are directed towards goals. New needs and desires affect or change your behavior that then becomes goal oriented. For example, if you do not want to work overtime, it is likely that a particular time, you may need more money (desire) so you may change your behavior, work overtime (goal oriented behavior) and satisfy your needs.

Definitions

Stephen P. Robbins defines motivation as “The willingness to exert high levels of effort towards organizational goals, conditioned by the effort’s ability to satisfy some individual need.”

Motivation can also be defined as a condition that is initiated by a psychological deficiency or need in an individual, which causes the individual to behave in a certain manner in order to achieve a particular goal or incentive.

13.2 Learning Objectives

By the end of this chapter the student will be able to:

- a) Frame the context for understanding the concept of motivation, particularly who and what motivates employees.
- b) Provide an overview of the different theories of motivation.
- c) Identify the extrinsic and intrinsic factors that impact motivation
- d) Assess misconceptions about motivation; and
- e) Suggest strategies to enhance employee motivation.

13.3 The Motivation Process

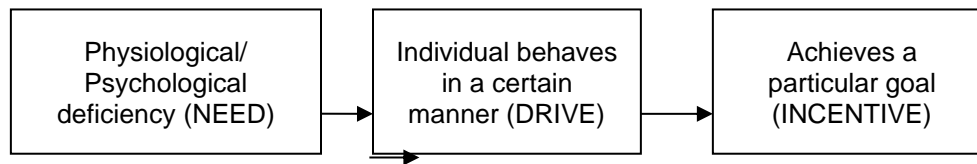


Fig 13.1 Motivation Process

Needs – A physiological or psychological imbalance leads to the creation of a need. For example, the need for food or water arises when a person is hungry or thirsty. Similarly, people who are deprived of the company of other people may look for friends or companions.

However, psychological needs may sometimes arise without any deficiency or imbalance. For instance, a person who has a strong need to progress may move from success to success. Even if a person has several extraordinary achievements to his credit, he may still feel the need to achieve more. For example, many millionaires strive to make more and more money, even though they are considered rich by several standards.

Drives – Drives or motives propels individuals to attain their goals or satisfy their needs. A physiological drive is a condition which causes a person to work in a particular direction. Both physiological and psychological drives push an individual towards achieving a certain goal or accomplishing a certain task. For example, the need for food and water is transformed into the drives of hunger and thirst, and the need to achieve manifests itself as the achievement drive.

Incentives – Anything that can mitigate a need and decrease the intensity of a drive is called an incentive. When a person obtains the incentive, the strength of that drive is reduced and physiological and psychological balance is restored. For example, eating food, drinking water, or finding friends reduces the corresponding drives and helps in achieving balance. Here food, water and friends are the incentives.

13.4 Theories of Motivation

Psychologists have studied human motivation extensively and have derived a variety of theories about what motivates people.

Content Theories

The content theories have been developed to explain the nature of motivation in terms of types of need that people experience. The basic idea underlying such theories is that people have certain fundamental needs, both physiological and psychological in nature. Thus the nature of needs establishes the nature of motivation that results in a specific behavior aimed at reaching the goal of satisfying such needs.

a) Maslow's Hierarchy of Needs

Abraham Maslow (1908 – 1970) along with Frederick Herzberg (1923) introduced the Neo-Human Relations School in the 1950's, which focused on the psychological needs of employees. Maslow put forward a theory that there are five levels of human needs which employees need to have fulfilled at work.

All of the needs are structured into a hierarchy (see below) and only once a lower level of need has been fully met, would a worker be motivated by the opportunity of having the next need up in the hierarchy satisfied. For example a person who is dying of hunger will be motivated to achieve a basic wage in order to buy food before worrying about having a secure job contract or the respect of others.

A business should therefore offer different incentives to workers in order to help them fulfill each need in turn and progress up the hierarchy (see below). Managers should also recognize that workers are not all motivated in the same way and do not all move up the hierarchy at the same pace. They may therefore have to offer a slightly different set of incentives from worker to worker.

Maslow identified five levels in the need hierarchy which are as follows:

- **Physiological Needs** – The most basic level in the hierarchy, the physiological needs, generally corresponds to the unlearned primary needs. The needs for hunger, thirst, sleep are some examples. According to the theory, once these basic needs are satisfied, they no longer motivate. For example, a starving person will strive to obtain a carrot that is within reach. However, after eating his or fill of carrots, the person will not strive to obtain another one and will be motivated only by the next higher level of needs.
- **Safety Needs** – This second level of needs is roughly equivalent to the security need. Maslow stressed emotional as well as physical safety. The whole organization may become a safety seeking mechanism. Same as above, once these needs are satisfied, they no longer motivate.
- **Social needs** – It corresponds to the affection and affiliation needs. These include needs for belonging, love and affection. Maslow considered these needs to be less basic than physiological and security needs. Relationships such as friendships, romantic attachments and families help fulfill this need for companionship and acceptance, as does involvement in social, community or religious groups.
- **Esteem Needs** - After the first three needs have been satisfied, esteem needs becomes increasingly important. These include the need for things that reflect on self-esteem, personal worth, social recognition and accomplishment. Maslow carefully pointed out that the esteem level contains both self esteem and esteem from others.

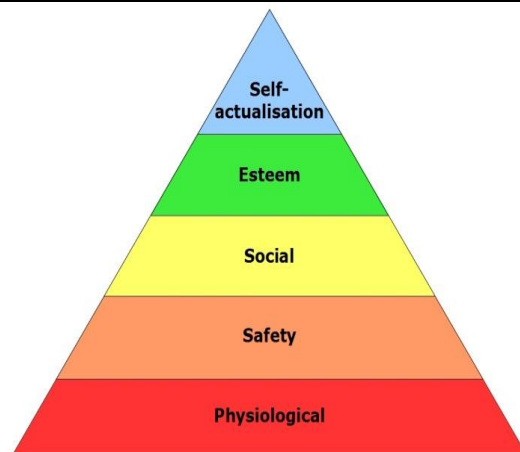


Fig 13.2 Maslow's Hierarchy of Needs

b) McGregor's Theory X and Y

Douglas McGregor, an American social psychologist, proposed his famous X-Y theory in his 1960 book 'The Human Side of Enterprise'. Theory X and theory Y are still referred to commonly in the field of management and motivation, and whilst more recent studies have questioned the rigidity of the model, McGregor's X-Y Theory remains a valid basic principle from which to develop positive management style and techniques. McGregor's XY Theory remains central to organizational development, and to improving organizational culture.

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

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

Theory X assumptions:

- Employees inherently do not like work and whenever possible, will attempt to avoid it.
- Because employees dislike work, they have to be forced, coerced or threatened with punishment to achieve goals.
- Employees avoid responsibilities and do not work till formal directions are issued.
- Most workers place a greater importance on security over all other factors and display little ambition.

The management implications for Theory X workers were that, to achieve organizational objectives, a business would need to impose a management system of coercion, control and punishment.

Theory Y assumptions:

- Work is natural to most people and they enjoy the physical or mental effort involved in working, similar to work and play.
- People do exercise self-control and self-direction and if they are committed to those goals.
- Average human beings are willing to take responsibility and exercise imagination, ingenuity and creativity in solving the problems of the organization.
- Many individuals seek leadership roles in preference to the security of being led.

Managers who hold Theory Y assumptions treat their workers as responsible persons and give them more latitude in performing their tasks. Communication is multidirectional and managers interact frequently with employees.

c) Herzberg's two-factor theory

Frederick Herzberg extended the work of Maslow and developed a specific content theory of work motivation. He felt that a person's relation to his work is a basic one and that his attitude towards work will determine his organization related behavior. People who are satisfied with their jobs will be more dedicated to their work and will perform it well as compared to those who are dissatisfied with their jobs. In his **two-factor theory**, Herzberg identifies two sets of factors that impact motivation in the workplace:

- **Hygiene Factors:** include salary, job security, working conditions, organizational policies, and technical quality of supervision. Although these factors do not motivate employees, they can cause dissatisfaction if they are missing. Something as simple as adding music to the office place or implementing a no-smoking policy can make people less dissatisfied with these aspects of their work. However, these improvements in hygiene factors do not necessarily increase satisfaction.
- **Satisfiers or Motivational Factors:** These factors are related to the nature of work and are intrinsic to the job itself. They have a positive influence on morale, satisfaction, efficiency and higher productivity. For example, managers can find out what people really do in their jobs and make improvements, thus increasing job satisfaction and performance.

Some of these factors are:

Job Itself, Recognition, Achievement, Responsibility, Growth and Advancement.

Following Herzberg's two-factor theory, managers need to ensure that hygiene factors are adequate and then build satisfiers into jobs.

Process Theories

The content models attempt to identify what motivates people at work. The process theories, on the other hand, are more concerned with the cognitive antecedents that go into motivation or efforts and with the way they relate to one another. They

implicitly assume that satisfaction leads to improved performance and that dissatisfaction detracts from performance.

a) Vroom Expectancy Theory: Like the needs-goal theory, motivation strength is determined by the perceived value of the result of performing a behavior and the perceived probability that the behavior performed will cause the result to materialize. As both of these factors increase, so does motivation strength, or the desire to perform the behavior. People tend to perform the behaviors that maximize their rewards over the long term.

b) Porter-Lawler Theory: Lyman W. Porter and Edward E. Lawler developed a more complete version of motivation depending upon expectancy theory. It starts with the premise that motivation (effort or force) does not equal satisfaction and performance.

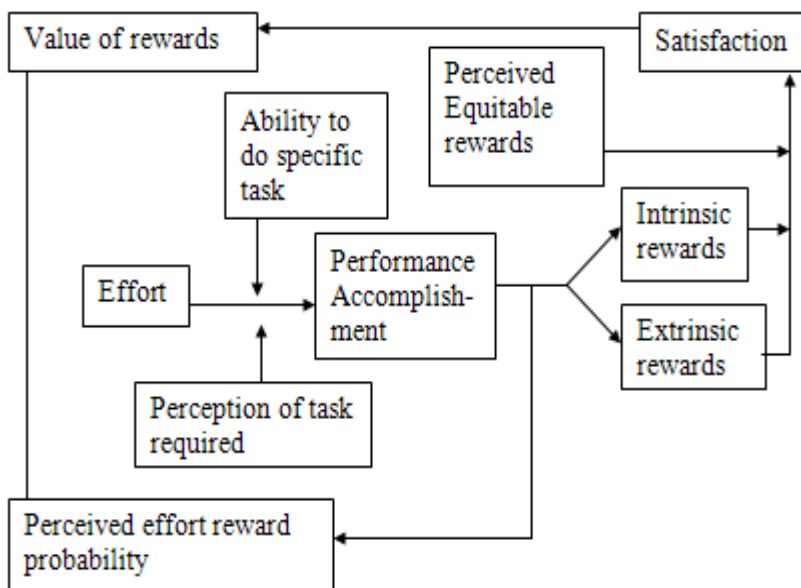


Fig 13.3 Porter - Lawler Theory

Actual performance in a job is primarily determined by the effort spent. But it is also affected by the person's ability to do the job and also by individual's perception of what the required task is. So performance is the responsible factor that leads to intrinsic as well as extrinsic rewards. These rewards, along with the equity of individual lead to satisfaction. Hence, satisfaction of the individual depends upon the fairness of the reward.

Contemporary Theories

a) McClelland's acquired needs theory

David McClelland's acquired needs theory recognizes that everyone prioritizes needs differently. He also believes that individuals are not born with these needs,

but that they are actually learned through life experiences. McClelland identifies three specific needs:

- **Need for achievement** is the drive to excel.
- **Need for power** is the desire to cause others to behave in a way that they would not have behaved otherwise.
- **Need for affiliation** is the desire for friendly, close interpersonal relationships and conflict avoidance.

McClelland associates each need with a distinct set of work preferences, and managers can help tailor the environment to meet these needs.

High achievers differentiate themselves from others by their desires to do things better. These individuals are strongly motivated by job situations with personal responsibility, feedback, and an intermediate degree of risk.

In addition, high achievers often exhibit the following behaviors:

- Seek personal responsibility for finding solutions to problems
- Want rapid feedback on their performances so that they can tell easily whether they are improving or not
- Set moderately challenging goals and perform best when they perceive their probability of success as 50-50

An individual with a high need of power is likely to follow a path of continued promotion over time. Individuals with a high need of power often demonstrate the following behaviors:

- Enjoy being in charge
- Want to influence others
- Prefer to be placed into competitive and status-oriented situations
- Tend to be more concerned with prestige and gaining influence over others than with effective performance

People with the need for affiliation seek companionship, social approval, and satisfying interpersonal relationships. People needing affiliation display the following behaviors:

- Take a special interest in work that provides companionship and social approval
- Strive for friendship
- Prefer cooperative situations rather than competitive ones
- Desire relationships involving a high degree of mutual understanding

13.5 Suggested Readings

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13.6 Terminal and Model Questions

1. Explain Maslow's Need Theory and under what circumstances would it justify a different need priority.
2. How is Aldefefer's ERG theory similar to Maslow's Need theory?

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**UNIT 14: PROCESSES OF COMMUNICATION-
TYPOLOGIES, SIGNIFICANCE & BARRIERS**

Structure

- 14.1 Introduction
- 14.2 Objectives
- 14.3 Characteristics of Communication
- 14.4 Importance of Communication
- 14.5 Communication Process
- 14.6 Verbal and Non-Verbal Communication
- 14.7 Channels of Communication
- 14.8 Barriers to Effective Communication
- 14.9 Making Communication Effective
- 14.10. Summary

14.1 Introduction

In the previous units you have gained knowledge about the Directing, Motivations and Leadership for the hospitality business managers. The present unit aims to provide you in-depth knowledge about the meaning, need and importance of communication.

Communication refers to sharing of ideas, facts, opinions, information and understanding. Simply stated, communication can be said to be passing of information and understanding from one person to another. It will be seen that there are at least three elements involved here, the sender at one end, the receiver at the other, and in between is the message or information that is to be passed on from one end to other. The information is passed from the sender to the receiver, and the knowledge of its effects is passed from the receiver to the sender in the form of a feedback. Whether the effect produced is the desired one will depend upon how well the receiver understands the meaning of the information. Communication can, therefore, be aptly said to be the transmission of meaning. In this Unit we discuss the various aspects related to communication that have a bearing on managerial functions for the hospitality business organizations.

14.2 Objectives

After going through this Unit you will be able to:

- Apprehend the relevance of communication for managerial jobs,
- understand various types of communications, and
- learn about the skills to manage communication.

14.3 Characteristics of Communication

Communication is considered to have the following characteristics:

1. It involves more than one person.
2. It deals with the transaction of facts.
3. Medias of communication may be numerous.
4. Since a business organization has continuity, the process of communication is also a continuous process.
5. The effectiveness of communication largely depends upon the proper understanding of what is being communicated and what is being received and then responded.
6. It involves both information and understanding.
7. It includes all means by which meaning is conveyed from one person to another.
8. It is the basis for action and cooperation.
9. It travels up and down and also from side to side.
10. Its primary purpose is to motivate a response.
11. A further attribute of communication is its universality in the organizations.

14.4 Importance of Communication

One of the important roles of the manager is the informational role wherein a manager seeks information from his or her peers, subordinates and others about anything relating to their jobs and responsibilities. He or she is at the same time a disseminator of information about his or her job and the organization to those who are concerned with it. As such a considerable part of managerial time is devoted to receiving or disseminating information i.e. in communication, inside or outside the organization. The top and middle level managers typically devote 60 to 80 per cent of their total working hours to communicating. In service organizations like hotels, restaurants, travel agencies, etc. communication is a vital managerial requirement as the production and consumption of the service, in most of the cases, takes place simultaneously. According to Peter Drucker, good communication is the foundation for sound management. The managerial functions of planning, organizing, directing and controlling depend on communication in an enterprise. For planning to be realistic, it is essential that it is based on sound information which is not possible without a good system of communication existing in an enterprise. The latest developments in the market, if not communicated to the planners, would make their future plans totally meaningless. Adaptation to external environment on which rests the survival of the business may not be possible without good communication. Again in order to reach the objectives, it is necessary that leadership is exercised, decisions made, efforts coordinated, people motivated and operations controlled. Each of these functions involves interaction with the people in the organization and leads to communication. The most important aspect of organizational life for a manager is communication, and his or her success will depend upon how effectively he or she can communicate with others in the organization. In other words, how successfully he or she can put the ideas across to those who work with him or her and thereby, persuade others to work in the direction of the achievements of goals of the

organization.

14.5 Communication Process

The simplest model of the communication process can be:

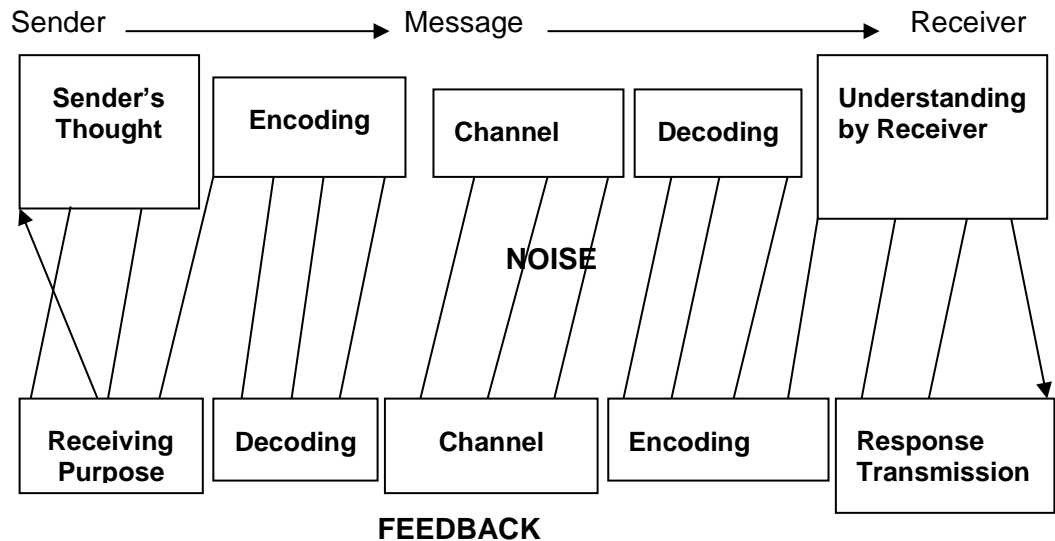


Figure 14.5.1: Model of Communication Process

We shall briefly see what the various elements of this model mean.

- Source:** In this model the first element is the source of the communication from where the communication originates. The source or sender can be a person, a number of persons, or even a machine like a satellite or computer. The sender initiates communication because he or she has some need, thought, idea or information that he or she wishes to convey to the other person, persons or machine. If, for example, an accidental fire has broken out in a part of Hotel, the security officer (source) will need to convey the message immediately to the guests (receiver). Fire alarm (machine) will do the same in place of the security officer.
- Encoding Message:** The next element in the process is that of encoding the information to be transmitted. Encoding enables the thoughts to be put in the form of symbols. Normally language provides the symbols that are used in the transmission of thoughts to another person. However, language is not the only means to convey the thoughts, needs or information. There are non-verbal means, e.g., gestures, which provide another form through which thoughts can be transmitted. The more complex the ideas, needs or information to be communicated, the more complex becomes the process of encoding them. While an involuntary shriek may adequately convey the degree of alarm felt by the victim, even a carefully worded statement or letter may fail to convey the essential purpose of communication. This can happen if the language or symbols used convey different meanings to the sender and the receiver. This is one reason that Phonetic Codes and abbreviations are used cautiously while communicating in the tourism industry.
- Channel:** The next element in the process of communication is the channel through which the communication is transmitted. It is the link that joins the sender

and the receiver. The most commonly used channels are sight and sound. In the organizational environment, the channel could take the form of face-to-face conversation, written memos, telephonic exchanges, group meetings, computerized Local Area Network (LAN), etc. Outside the organization, the channels could be letters or circulars, magazines, radio programmes or TV shows teleconferencing, satellite communications, Wide Area Network (WAN), etc. For communication to be effective the channel used should be appropriate for the message as well as the receiver. For an urgent message telegram, telephone or e-mail would be the appropriate channel. Again, the channel chosen would be influenced by the consideration as to whom the message is being directed.

- **Decoding:** Decoding and understanding the message constitute the last two elements in the process of communicating from sender to receiver. The receiver in the first instance receives the message and decodes it, that is to say, interprets and translates it into thoughts, understanding and desired response. A successful communication occurs when the receiver decodes the message and attaches a meaning to it which very nearly approximates the idea, thoughts or information the sender wished to transmit.

Decoding and understanding are affected by several factors. For example, a receiver cannot decode a message which is in an unknown language. This applies to symbols also. The same symbol may carry a different meaning to the receiver. Again, the receiver's past experience, as well as expectations colour the meaning that is attached to the message. All this tends to bring about a divergence between the 'intended' meaning and 'perceived' meaning. To avoid this, it is necessary to develop greater degree of homogeneity between the sender and the receiver as both of them have their own fields of experience. The field of experience constitutes an individual's attitudes, experience, knowledge, environment, and socio-cultural background. The greater the overlap of the source and receiver's fields of experience, the greater the probability of successful communication. In other words, they have things in common that facilitate better communication. An individual engaged in communication with another person of a significantly different educational or cultural background will have to put in greater effort to ensure successful communication. The greater the overlap of the two persons' fields of experience, the higher is the probability of successful communication.

- **Feedback:** Response and feedback complete the two-way process of communication. It is through the feedback that the source (sender) comes to know if the message was correctly received and understood. In case it is found that the message has been received incorrectly, it is possible to make corrections subsequently but for this the response has to be timely.

Sender's efforts to communicate are aimed at eliciting the desired response. However, a communication may result in producing any of the three outcomes: **a desired change may occur, an undesired change may occur or no change may take place.** We consider communication as successful only when it produces the desired response.

- **Noise:** Surrounding the entire spectrum of communication is the noise that affects the accuracy and fidelity of the message communicated. **Noise is any factor that disturbs, confuses or otherwise interferes with communication.** It can arise at any stage in the communication process. The sender may not be able to encode the message properly or may not be properly audible. The

message may get distorted by other sounds in the environment. The receiver may not hear the message, or comprehend it in a manner not entirely intended by the sender of the message. The channel also may create interference by 'filtering', i.e. allowing some information to pass through and disallowing others. In any case, there is so much of noise or interference in the entire process that there is every possibility of the communication being distorted. We will see later in this Unit why distortion takes place and what can be done to minimize the distortion of communication.

14.6 Verbal and Non-Verbal Communication

A **communication in which words are used can be called verbal communication**. Communication over long distance takes place usually through verbal communication. As an adjunct to this is the **non-verbal communication which refers to the use of 'body language'** in communicating ideas from the sender to the receiver. Non-verbal communication most often takes place unconsciously, and it may either fortify and supplement the verbal communication or may at times negate the very purpose of verbal communication. Let us examine each of these one by one.

The main characteristics of verbal communication is the use of words, either written or spoken.

Written communication includes personal letters, memoranda, policy and procedure manuals, and notices placed on the notice boards.

Examples of oral communications are conferences, committee meetings, telephone conversation, loudspeaker announcements, etc. Both written and oral communications have their advantages and disadvantages.

14.6.1. Written Communication:

A written communication has the advantage of being easily verified and of being more precisely defined if there arises a need for subsequent correction. Spoken messages cannot always be verified so easily. Secondly, because a written communication is likely to be a permanent record, we are more particular in making it precise and accurate.

Thirdly, lengthy and complicated messages are better understood if they are put in writing. It would be difficult to understand and retain a lengthy message if it were only in oral form. Together with these advantages, written communications have some drawbacks also. Some of these are:

- Firstly, it is a slower method of communication if we consider the total amount of time involved from the formulation of idea by the sender to the understanding of the idea by the receiver. A written communication competes with all other written material that reaches the desk of an executive. As such there can be a gap between the time when a communication reaches the manager's desk and the time when he or she reads it. Moreover, if

clarifications are needed because the message is not clear to the receiver, further delay would take place. However, with the advent of electronic media such delays have been considerably reduced.

- Secondly, despite the fact that a greater degree of preciseness is aimed at while preparing a written communication, there is always a possibility of ambiguity or lack of clarity creeping in leading to misunderstanding on the part of the receiver. Clarifications naturally mean delay.
- Lastly, over-reliance on written communication can lead to too much of paper-work in the organization. This not only consumes time, money and energy, but also indicates a lack of trust among the employees of the organization. It has been observed that when trust is low and suspicions are high in an organization, an over-reliance on written communication is likely to occur.

14.6.2. Oral Communication:

Although an organization cannot function without written communications of various kinds, yet by far the greater percentage of information is communicated orally. It has been observed that managers spend 60 to 80 per cent of their work time in oral communication. Oral communication has the merit of being more rapid. Generally, the spoken word is a quicker and less complicated way of getting one's ideas across another person. Again, it offers the potential of two-way information flow, and therefore less possibility of misunderstanding the communication. The creation of a less formal atmosphere and generation of fellow feelings are the additional advantages brought about through oral communication.

However, the oral communication is not entirely free from defects. It is less effective as a means of presenting complicated and lengthy data. It is also subject to misinterpretation and the effects of barriers arising from interpersonal relationships.

Can you determine which of the two, oral or written; is a better means of communication? You will see that the choice between the two is, generally speaking, determined by the situation. However, the use of both together will very often strengthen and reinforce a message.

Take your own case. The material in your hand is the written communication which will be fortified subsequently through oral communication in the counselling sessions or educational TV programmes. The two together, we hope, will further increase your understanding of the concepts and application of management.

14.6.3. Selection of words for communication

You have read earlier that communication refers to the transmission of meaning from the sender to the receiver. Such transmission takes place through the use of symbols, whether verbal or non-verbal. In verbal communication the symbol is a word. In order that the transmission of meaning takes place it is important that the particular symbol (word) used must create within the mind of the receiver the same image which was in the mind of the sender of the communication. It is only then that the basic purpose of communication which is to

influence the behaviour of the receiver, will be achieved. It has been found that words do not necessarily have commonly understood meanings. The abstract words like "participation" or "democracy" or "satisfactory" suffer from the difficulty that different people are likely to attach different meanings to these words. The greater the use of such abstract words, the bigger the difficulty in bringing about an understanding of the message and a change in behaviour through communication.

14.6.4. Use of Body Language

In determining the effectiveness of communication, in the sense of effecting a change in behaviour, nonverbal communication has an important role to play. Experts in the field of human communication have found that, in a typical message between two persons, only about 7 per cent of the meaning or content of the message is carried by the actual words being used. Another 38 per cent of the message is carried by one's tone of voice (which includes pacing, timing, pauses, accents). The major part of 55 per cent of the content of the message is in non-verbal form, in other words, in the form of our physical attitude going along with our verbal message. The physical attitude is also referred to as body language. Non-verbal communication can take place with our actions or with our body gestures. For example, a manager who pounds his fist on the table while announcing that from now on participative management will be practised in his organization creates a credibility gap between what he says and what he practises. A manager who says that he believes in an open door policy for all his employees but is busy with his own files while an employee is giving him certain suggestions towards improvement in work environment, is making non-verbal communication quite in conflict with his verbal communication. In such situations the non-verbal message is the stronger one and the verbal message will cease to be effective.

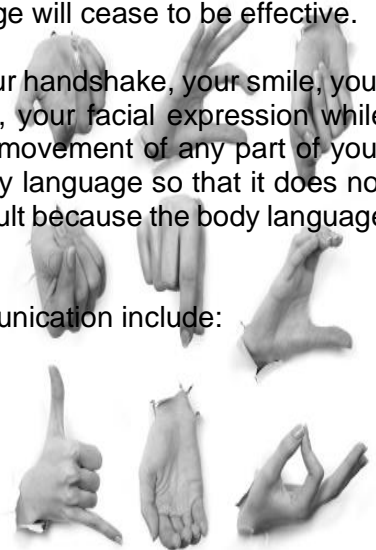
Body gestures that "communicate" may relate to your handshake, your smile, your eye-contact, your posture while standing or sitting, your facial expression while listening, the shrug of your shoulders, indeed, the movement of any part of your body. You must, therefore, be watchful of your body language so that it does not contradict your verbal message. This is indeed difficult because the body language is so involuntary that we are not even aware of it.

Some of the non-verbal actions which assist communication include:

- Maintaining eye-contact,
- Occasionally nodding the head in agreement,
- Smiling and showing animation,
- Leaning towards the speaker, and
- Speaking at a moderate rate, in a quiet tone.

Some of the non-verbal actions that **impede** the communication are:

- Looking away or turning away from the speaker,
- Sneering or using other contemptuous gestures,
- Closing your eyes,



- Using an unpleasant tone of voice, and
- Speaking too slow or too fast.

As managers in the tourism & hospitality you have to see that your subordinates are well trained in this art of non-verbal communication as it helps a lot towards customer care. Travel agency, Airlines, Restaurant staff, banquet workers, front office personnel, drivers, etc., all ought to be efficient in this regard.

Check Your Progress- I

1) Discuss the importance of communication in the hospitality industry.

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2) Describe the Communication Process.

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14.7 Channels of Communication

An organization structure provides channels for the flow of information in which the decisions of the organization will be based. As such an organization can be described as the network of communication channels. These channels can be either intentionally designed, or they may develop of their own accord. When a channel is intentionally prescribed for the flow of communication in the organization, we call it a formal channel, and the communication passing through that channel as formal communication. On the other hand, when communication takes place through channels not intentionally designed, in other words, outside the formal channels, such channels are referred to as informal channels, and the communication as informal communication.

14.7.1. Formal

An organisation chart shows the direction of formal communication flow in an organisation. It identifies the various transmitters and receivers, and the channels through which they must communicate. The authority relationships indicate the direction of communication flow in an organisation. A formal communication takes place between a superior and subordinate in the form of instructions and directions. Such a flow takes place in the downward direction.

Another formal communication takes place between subordinate and superior when reporting on performance is made by the subordinate. Since the subordinate initiates communication to the superior, the flow is upward. We call this upward communication. The upward communication can take the form of progress reports,

tour reports, occupancy status, budget reports, profit and loss statements, requests for grants, etc.

Again formal communication may take place between one division of an organisation and another. This could be either lateral or diagonal. There is substantial formal communication between production foreman and maintenance foreman, between production manager and quality control manager, between tours division and ticketing division or between front office and housekeeping. Formal communication may pass across organisational levels also: for example, communication between line and staff units takes place very frequently across organizational levels. Such communication helps tremendously in the coordination of activity.

Finally, formal communication may also arise between the organization and outside parties, e.g., suppliers, customers, Government, etc. This may happen when the management is required to provide information on certain aspects of working of organization. Communication of this kind is usually one-way.

14.7.2. Informal

Communication that takes place without following the formal lines of communication is said to be informal communication. This channel is not created by management and is usually not under the control of management. An informal system of communication is generally referred to as the 'grapevine' because it spreads throughout the organization with its branches going out in all directions in utter disregard of the levels of authority and linking members of the organization in any direction.

The informal communication arises as a result of employee needs for information which are not met by the formal channels. It has been observed that problems relating to work and unfavourable reactions to various organizational practices are transmitted through information communication. Since the channels are flexible and establish contacts at personal levels among members of the organization at different hierarchical levels, the grapevine spreads information faster than the formal system of communication. About 10 to 40 per cent of employees receive information (or misinformation) about the organization and its members through informal channels of communication.

In contrast to the formal communication which moves on slowly from one person at one hierarchical level to another at the next hierarchical level, the grapevine transmits information from one person to a group of persons much more rapidly in a cluster chain management. Each individual passes the information to several others, some of whom repeat the message to others. Some of those who receive the message may not pass on the information to others but the information may lead to a change in their thinking on the subject and may sometimes affect their behaviour as well.

Though it has been found that informal communication carries accurate information about three-fourths of time, yet there are strong possibilities of its communications being distorted. This happens because of the process of 'filtering'

whereby each member of the cluster chain acting as a kind of filter passes on only that part of communication which he or she regards as important. The receiver is left to fill in the gaps and complete the story according to his or her own imagination. This naturally leads to a great distortion of the real situation and may at times cause serious problems in the organization.

In order to do this, what the manager can do is to identify the members of the organization who usually seek and spread information. It is possible that different individuals are active at different times but usually it will be found that some individuals tend to be more active carriers of information than the others. After identifying such people a manager can use them as sounding boards. If it is discovered that misleading rumors are circulating, it may be a desirable policy on the part of the manager to release the official information in order to clarify the situation. At times management may even find the informal communication channel more useful in transmitting information through the formal channel. A common method of using informal communication is by 'planned leaks', or strategically planned 'just between you and me' remarks, which would obviously reach all parts of the organization much more quickly than any kind of communication through formal channels.

14.8 Barriers to Effective Communication

Communication has been defined as the transmission of meaning or understanding. Yet by far, most of the communication in organizations or between persons fails to satisfy this criterion. Communication quite often fails to convey the meaning or develop an understanding of the communication sufficient enough to bring about a change in the behaviour of the recipient. According to Peter Drucker: "We have more attempts at communications today, that is, more attempts to talk to others, and a surfeit of communication media.... yet communication has proved as elusive as the Unicorn. The noise level has gone up so fast that no one can really listen any more to all that babble about communications. But clearly there is less and less of communicating. The communication gap within institutions and between groups in society has been widening steadily- to the point where it threatens to become an unbridgeable gulf of total misunderstanding." (Management Tasks, Responsibilities and Practices p.481).

One of the biggest dangers in communication is to assume that communication has taken place. Most of us indeed make a great effort in formulating ideas, and finding appropriate words for communicating them to others. In organizations, too, much money and energy is used to develop a system of communication. And yet, if you try to assess how far the system has led to effective communication in terms of the desired response, you will be surprised at the results. There is a fifty-fifty chance of the communication not being understood to the degree you would be satisfied with. This has been proved by a number of experiments undertaken and observations made by communication specialists.

It is not only important that a communication be sent, it is much more important that it be understood. When an understanding of the communication does not take place, we can hardly expect a desired change in the behaviour of the receiver.

What causes a failure of communication?

The failure in communication arises because of certain blockages or barriers between the sender and the receiver. In order to make a communication effective, it must be ensured that these barriers are removed. In the paragraphs that follow, we shall discuss the various reasons which either prevent the communication from reaching the receiver or distort it in such a manner that it ends up either as non-communication or as miscommunication. Since a manager has to use communication as a means of getting the work done through his or her subordinates, he or she must ensure that barriers are minimized and effective communication takes place. The barriers that interfere with the understanding of the communication are of three kinds: **1) Semantic, 2) Psychological, and 3) Organizational**, and we shall discuss them one by one.

14.8.1. Semantic Barriers

Most of the difficulties in communication arise because the same word or symbol means different things to different individuals. Perhaps you remember what happened to Shiny Abraham at the 1986 Asian Games at Seoul. Despite coming first by a very wide margin in the 800 m. race, she was disqualified and lost her gold medal for having crossed the track at the place where she should not have gone. According to her she mistook the symbol, i.e., the colour of the flag. Whereas in our country the red flag indicates danger, in South Korea white flag is used for the same purpose. Misinterpreting the white flag which had been put up at that point, she crossed the track at the wrong place and suffered a setback.

Words, which are in reality symbols representing a thing, an action or a feeling, can have several meanings. As explained earlier, words which represent concrete things, e.g., car or house, tend to be understood in the same way, while abstract words like merit, effectiveness or responsibility, tend to be interpreted by different persons in different ways. Difficulty in understanding may arise even in the case of ordinary words which have different contextual meanings. Lately such difficulties are being experienced increasingly by people working in international development field.

Semantic difficulty may arise because of unfamiliarity with words. For example, because of a word of some foreign language of which the receiver has no knowledge. A technical word may not create such a problem - it may be beyond the ability of the receiver to understand it. In order to make it effective, a communication must be put into words which are appropriate to the environment and mental framework of the receiver. This ensures the communication to be grasped properly and implemented effectively.

Semantic barrier may further be created by body language being inconsistent with the verbal communication. A manager who praises the honesty and sincerity of his or her subordinate in a sarcastic tone creates doubts in the minds of the subordinate as to the course of action he or she should adopt in a given situation in future. The same kind of barrier is created by a divergence between the verbal language and the action language of the superiors. When action and language are used jointly the actions often have more powerful influence on other's actions than

words do. A management may, for example, profess its belief in being guided solely by the merit of employees while making promotions. Yet if employees observe that in actual practice promotions are made on considerations other than merit, the management's professed policy is bound to be affected by a semantic barrier - it is not likely to communicate anything, only the actions will communicate and what they communicate will be contrary to what had been said in so many words.

14.8.2. Psychological Barriers

Psychological barriers are the prime barriers in interpersonal communication. The meaning that is ascribed in a message depends upon the emotional or psychological status of both the parties concerned. As such the psychological barriers may be set up either by the receiver or the sender of the message.

You have already seen that the effectiveness of any communication depends upon the prescription of the right meaning of the message on the part of the receiver. However, the perception of meaning is very much affected by the mental frame of the receiver at the time the message is received. Emotions which dominate our mind at the time, e.g., anger, anxiety, fear, happiness, etc., will affect our interpretation of the message. The phrases 'viewing with coloured glasses' or 'seeing with jaundiced eyes' explain vividly how our inner feelings may vitiate our perception of the message or the situation. Past experience of the receiver in such situations would also lead to the same effect. The same thing may happen when different individuals interpret the same event or situation. For example, take the case of a supervisor watching a group of employees resting and gossiping on the lawns. How will this situation be perceived? To the supervisor who believes that employees are basically lazy, the situation communicates to him or her that they are playing truant with their work, and therefore should be given more work to do and disciplined. To the supervisor who believes that the workers are self-motivated and are sincere workers, the situation communicates that they are enjoying a well-earned rest. To the supervisor who is personally insecure, the situation communicates that they are conspiring against him.

To the receiver's mind a communication gets tied up with the personality of the source. This is what some people call the **halo effect**. Thus if we receive a message from a person we admire, we are more likely to agree with it and act accordingly. On the other hand, our immediate reaction will be one of disagreement with a message that has been received from a person we do not like or trust. Because of this our perception of the meaning of the communication is coloured by our own value judgements about the source of the communication.

A receiver of the communication suffers from another problem which psychologists refer to as **cognitive dissonance**. Since an individual tends to be fed with too much of information from different sources, which is commonly the case in an organisational setting, he or she becomes selective in receiving and responding to the communication. The receiver is most likely to 'hear' only those messages that conform to his or her own beliefs, attitudes and judgement. Communications that conflict with his or her viewpoint tend to be ignored. Often the 'other' point of view may not only be ignored, it might indeed be regarded as unfriendly or even hostile.

If this happens frequently, subordinates may start questioning whether their superior really wants to hear the 'bad' news, i.e., opinions contrary to his or her own. As a consequence, much of the unfavourable news in an organisation would never get reported to higher levels until the problem has assumed the form of a crisis.

One common phenomenon with all communications is the effect of **filtering**. This effect is produced when the communication passes through a large number of persons. Each individual through whom the information is passed interprets facts differently, judges from one's own point of view what is important or relevant, and passes it on with his or her own interpretations. The result is that the original communication gets altered in the process. The process of filtering involves a biased choice of what is communicated on the part of either the sender or the receiver. Thus filtering refers to the process of 'selective telling'. Organizations are particularly prone to the effect of filtering. In large organizations where there are several levels through which a communication must pass, filtering takes place at each level. In order to save the time of the busy executive and to save him or her from information overload, it is common in organizations for subordinates to prepare notes or abstracts of the communication before passing it on to the superior. The higher an information has to travel the higher is the degree of abstraction, with the possibility that significant pieces of information may be entirely missed or their significance diluted or distorted. The larger the number of filtering points in an organization, the greater are the chances of distortion. This may happen even outside an organization when communication is passed on verbally from one to another, as in a grapevine.

14.8.3. Organizational Barriers

Organizations provide a formal framework through which communication is designed to flow. The structuring of the flow itself tends to act as a barrier against free flow of communication between persons and levels in the organization. Rules may prescribe how communications are to move from one level to another in upward or downward directions. Not only is there a possibility of delay in the communication reaching its destination, but also there is every possibility of communication getting distorted through the process of filtering described in the previous paragraphs. It has been found that when information was channeled through different levels of organization, it became altered as people interpreted facts differently. In an organizational setting this can be a very big problem since senior level executives who work through others have subordinates. A critical information that has lost its criticality because of the actions of the intervening levels may jeopardize the position of the manager as well as the organization itself.

It has been observed that the upward communication is particularly subject to the influence of filtering in large organizations. Upward communication serves essentially two purposes in an organization. First, it helps in coordinating and controlling the activities of the organization. Second, it enables the superior to appraise the performance of subordinates. While the former does not create any problems, the latter has behavioural implications. It is human nature to show one's performance in a better light than what it actually is. This tendency of an individual naturally brings about a filtering through conscious or unconscious altering,

withholding or interpreting facts to be transmitted upward.

Dependency syndrome of the subordinate heightens the tendency to filter information. In a super-subordinate relationship, the subordinate is, generally speaking, dependent on the superior for his or her advancement. Studies show that the greater the dependency of the subordinate on superiors for the satisfaction of personal needs, the more is the tendency to filter information of an unfavourable kind. It has been found that subordinates are generally unwilling to communicate unfavourable information when they feel that their superior has the power to punish them in some way. Only positive aspects of performance are likely to be communicated upwards.

Another barrier in organisational setting is created by the superior-subordinate relationship itself which develops a distance between the two. People are more comfortable with persons similar status as their own. Communication with persons of higher or lower status is likely to be formal and reticent rather than informal and free. The distance between the superior and subordinate and the difficulty in free communication between them tends to be heightened through status symbols which might be used to show the hierarchical status of the person concerned. Status symbols within an organization may be in the form of separate parking space, separate bathrooms, separate refreshment rooms, cabins with stylized furniture, carpets, etc. Such symbols accentuate the distance between the different hierarchical levels and tend to widen the communication gap. Perhaps you may have read that among the several characteristics of Japanese style of management is the removal of status symbols. For example, under the Japanese system there are no separate cabins for managers, uniforms for workers and managers are the same, they eat the same menu in the same cafeteria. All these are intended to reduce the distance between the workers and the managers, and bring about a better understanding of the problems of the organization which is the chief objective of the organizational communication.

As a manager you will be continuously required to make use of your communication abilities in the performance of your job. Since your success as a manager will be judged in terms of the results that you produce, the effectiveness of your communication is, therefore, of prime importance to you. We shall explain to you next, what you can do to make your communication effective.

14.9 Making Communication Effective

In order to make your inter-personal communication more effective, the following are some the points that you should bear in mind.

- 1. Use direct, simple language and avoid words which can have ambiguous meanings:** Keep the receiver (audience) in mind while choosing the words and phrases. Your communication will be effective if the words you use are appropriate for the level of receivers for whom the communication is aimed at.
- 2. Use face-to-face communication:** Face-to-face communication allows more accurate feedback to be achieved through two-way communication. Generally speaking, people express themselves more freely while talking rather than through writing. Face-to-face communication permits a manager to see and understand the

non-verbal signs also.

3. Use feedback: Feedback enables the sender to judge whether his or her ideas have been received in the manner as they were originally intended. Most often it is assumed that communication has taken place because a notice has been put on the notice board, or an order issued. You must devise ways to separate fact from distortion.

4. Listen with understanding: The biggest block to interpersonal communication is said to be the inability to listen intelligently, understandingly and skillfully to another person. We tend to confuse listening with hearing, which is a physical process. Listening actually is much more than hearing as it involves understanding. Real communication takes place when the listener truly hears and understands the position and intent of the speaker. Most managers are, however, poor listeners. Apart from other reasons for poor listening performance, the main reason is the discrepancy in the speeds of speaking and of listening. While an average person can speak at the rate of 150 words per minute, one can listen and think at the rate of 1,000 words per minute. The difference obviously leaves idle time for the mind to wander about and lose some part of the message that is sought to be conveyed. In order to be a successful manager you must attempt to develop your listening ability by utilising your idle time in projecting yourself into the mind of the other party and understanding the factual and emotional content of the message. This should be done without making any attempt at criticizing, approving or disapproving it until after you have fully heard and understood the remarks. The empathetic listening, as it is called, vastly improves the understanding of both the parties, bringing in its wake improved interpersonal relation in the organization.

5. Create constructive environment for express of ideas: If you can create a climate in which people can be confident that what they say will be listened to with sympathy and considered constructively, you can be sure of a successful and creative communication. This is, however, possible only in an environment of trust which has to be generated by management through its policies and actions.

6. Be careful about your non-verbal communication: Because you hold a status higher than your subordinates, your gestures are observed and 'felt' by your subordinates. Your body language, therefore, must be supportive of your communication through words. One of the powerful means of communication is your actions which speak louder than words. If you expect your communication to be effective, ensure that your actions are consistent with your words.

7. Develop and use organizational structures which minimize the chances of filtering the communication: Decentralization of authority and broadening of span of control can be attempted to reduce the levels in the organization and minimize the authority filters.

Check Your Progress - II

1) How would you make personal communication effective?

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.....
.....

2) Write a short note on the barriers of effective communication?

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14.10. Summary

Communication is the transfer of information from one person to another. Successful communication is much more than mere transfer of information - it is the transfer of meaning and understanding between two persons. Communication has paved the way for modern civilization and good communication is the foundation for sound management. No managerial activity is possible without communication of some kind, and the major part of a manager's working time is devoted to communicating. Communication is accomplished through a process in which the sender encodes an idea which is transmitted through a channel to a receiver who decodes the message and gains an understanding of the idea of the sender. The reverse process of feedback also follows the same pattern. During the entire process, interference is created by 'noise' which can lead to distortion of the communication.

Communication takes place either orally or in writing. It could be just one-way or two-way, which allows the sender and receiver to interact with each other. A two-way communication is regarded well as it brings about understanding through clarity of the message. In an organization, communication may take place in several directions - upward, downward, lateral and diagonal. Words either written or oral convey a very small part of the communication : most of it is transmitted through non-verbal gestures. A manager ought to be careful lest the non-verbal gestures contradict his or her verbal message.

Interference in communication is caused by semantic, psychological and organizational barriers. In order to achieve effectiveness in communication, managers should consciously try to lower these barriers. Having effective communication skills is the basic qualifications for any managerial job in hospitality.

14.11. Glossary

- **Communication:** The process of transmitting or receiving abstractions such as ideas or beliefs through the use of symbols and language.
- **Communication Barriers:** Physical, psychological and organizational hindrances resulting into ineffective communication.
- **Communication Networks:** Patterns of channels of communication.
- **Grapevine:** A very powerful informal communication channel.

14.12. ANSWERS TO CHECK YOUR PROGRESS EXERCISE

Check Your Progress - I

- 1) Write your answer taking into the consideration Section 14.4.
- 2) Read Section 14.5.

Check Your Progress - II

- 1) Read Section 14.9.
- 2) Read Section 14.8.

14.13. REFERENCE / BIBLIOGRAPHY

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14.14. Terminal and Model Questions

1. Write a descriptive note on the various channels of communications?
2. Elaborate the merits and demerits of verbal and non verbal communications for the hospitality organizations?
3. Write a detailed essay on the points to be kept in the mind to make communication effective?

UNIT 15: CHARACTERISTICS, IMPORTANCE & EFFECTIVE PROCESS OF COORDINATION

Structure

- 15.0 Introduction
- 15.1 Objectives
- 15.2 Definition of Management
- 15.3 Functions of Management
- 15.4 Nature of Management Functions

- 15.5 Functions Of Various Management Levels
- 15.6 Co-Ordination and Co-Operation
- 15.7 Need for Co-Ordination
- 15.8 Techniques Of Effective Co-Ordination
- 15.9 Questions
- 15.10 Summary
- 15.11 Exercises
- 15.12 Bibliography

15.0 Introduction

Management is a process of taking managerial decision and putting them into action. It determines the objectives of the organization and takes steps to achieve them. It is concerned with motivation of the employees. Management is the brain of any organization because it takes decision, makes policies, rules and regulations.

Management deals with five factors of production viz: MEN, MACHINE, MONEY, MATERIALS and METHODS. The success of a management depends upon how nicely these limited factors have been used. The optimum use of these resources defines company's prosperity.

Management is universal in the modern industrial world. Every organization requires taking of decisions, co-ordination of activities, handling of people and evaluation of performance of those directed towards attainment of objectives. The old master-servant relationship between the manager and the managed has undergone a great change. Today people have higher expectations from their jobs. Modern management helps in achieving these.

15.1 Objectives

- Understand the basics of management.
- Explain the different approaches to management and the standard cycle of the management process.
- Identify the nature of, management in the terms of it being art or science.
- importance of co-ordination in an organization

15.2 Definition of Management

Modern business is complex and complicated. It not only requires high degree of technical & professional ability but also managerial abilities. It requires efficient & effective- management to tackle the complex business. We have seen in Chapter 1 that the general approach of studying management is to treat it as a process, and a process is the systematic handling of activities. Management as a process comprises various functions which should be performed to get the things

done. However, what these functions are, there is divergence of opinions. The basic reasons for this diversity are as follows:

1. There is no complete agreement among the authors-both academicians and practitioners-about what functions are performed by managers.
2. Various terms and functions have not been defined with sufficient degree of precision and it is often difficult to know what a writer means by a given concept.
3. Various terms and functions have been derived based on managerial experiences rather than from systematic researches. Naturally, observations of one manager may differ from others.

Because of the factors noted above, different writers have defined in different ways 'what managers do'. These different ways may be grouped in two categories:

1. Functions approach or management functions.
2. Role approach or management role.

15.3 Functions of Management

The classical analysis, which is the basis for management analysis, takes various functions which managers at all levels of the organization perform in order to achieve organizational objectives. A function is a group of similar activities. However, what functions are undertaken by managers in organizations, there is divergence of views. The list of management functions varies from author to author with the number of functions varying from three to eight. Table presents the management functions identified by various writers.

TABLE: Management functions

| | Writers | Management functions |
|----|--------------------|--|
| 1. | Henry Fayol | Planning, organizing, commanding, coordinating, controlling. |
| 2. | Luther Gulick | POSDCORB- planning, organizing, staffing, directing, coordinating, reporting, and budgeting. |
| 3. | Lyndall Urwick | Planning, organising, commanding, coordinating, communicating, forecasting, and investigating. |
| 4. | Ralph Davis | Planning, organizing, controlling. |
| 5. | E.F.L Brech | Planning, organizing, motivating, coordinating, controlling. |
| 6. | Koontz & O'Donnell | Planning, organizing, staffing, leading (directing), controlling |

Besides the above functions, various authors have presented other classifications of management functions which are presented in a combined form in table

Table: Combined list of management functions

| | |
|---------------------|------------|
| Planning | Commanding |
| Formulating purpose | Activating |

| | |
|-----------------|------------------|
| Decision making | Securing efforts |
| Innovating | Communicating |
| Organizing | Controlling |
| Staffing | Investigating |
| Appraising | Evaluating |
| Directing | Coordinating |
| Leading | Representing |
| Motivating | Administering |

The list is very long. However, this can be shortened by combining some functions into one. For example, directing may include leading, motivating, communicating, commanding, activating and securing efforts. Similarly, planning may include formulating purpose, innovating; investigating may fall under planning and controlling and so on. Taking the classification of management functions in this way, unanimity prevails in respect of three functions, viz., planning, organizing and controlling. However, to get the things done by others requires some sort of directing human behaviour to purposeful activities. Therefore, directing can be considered like the above three functions. Some authors have carved out a fifth function as staffing by splitting the social aspect of organizing. However, this has acquired great importance in the context of the manager;s responsibility for getting human resources in the organization. Thus, managerial functions may broadly be grouped into planning, organizing, staffing, directing and controlling. Some authors add coordinating in this list but this is not a separate function of management and it can be treated as essence of management since the basic objective of all managerial functions is to achieve coordination in organized efforts. A detailed discussion of each of these functions will take place in separate parts; here a brief discussion is given about what each function includes.

15.3.1 Planning

Planning is the conscious determination of future course of action. This involves why an action, what action, how to take action, and when to take action. Thus, planning includes determination of specific objectives, determining projects and programmes, setting policies and strategies, setting rules and procedures, and preparing budgets. Based on the futurity involved in the planning process, plans may be prepared for long-term period, usually five years or more, intermediate-term usually 2-5 years, or short-term period usually for one year. Plans for these three periods are coordinated and a longer-term plan provides basis for shorter-term plan.

15.3.2 Organizing

Organizing is the process of dividing work into convenient tasks or duties, grouping of such duties in the form of positions, grouping of various positions into

departments and sections, assigning duties to individual positions, and delegating authority to each position so that the work is carried out as planned. Organizing function can be viewed as a bridge connecting the conceptual idea developed in creating and planning to the specific means for accomplishing these ideas. Organizing function contributes to the efficiency of the organization by ensuring that all necessary activities will be performed and objectives are achieved.

15.3.3. Staffing

Staffing involves manning the various positions created by the organizing process. It includes preparing inventory of personnel available and identifying the gap between manpower required and available, identifying the sources from where people will be selected, selecting people, training and developing them, fixing financial compensation, appraising them periodically, etc. There is a controversy whether staffing function is to be performed by all managers in the organization or it is to be handled by personnel department which looks after the personal matters enumerated above. The controversy can be settled because staffing function is too complicated and time-consuming. To make it convenient, some processes of staffing are completed by personnel department. In doing so, it facilitates the performance of staffing function by managers in the organization. For example, managers are required to appraise the performance of their subordinates. Personnel department can facilitate this function by prescribing and supplying the proforma for this appraisal so that there is uniformity in appraisal system throughout the organization. Similar support can be provided by personnel department in other aspects of staffing.

15.3.4 Directing

When people are available in the organization, they must know what they are expected to do in the organization. Superior managers fulfil this requirement by communicating to subordinates about their expected behaviour. Once subordinates are oriented, the superiors have continuous responsibility of guiding and leading them for better work performance and motivating them to work with zeal and enthusiasm. Thus, directing includes communicating, motivating and leading

15.3.5. Controlling

Controlling involves identification of actual results, comparison of actual results with expected results as set by planning process, identification of deviation between the two, if any, and taking of corrective action so that actual results match with expected results. It brings to light all bottlenecks in work performance and operates as straight pointer to the needs of the situation.

15.4 Nature of Management Functions

Nature of management functions can be identified in terms of their being universal, their iterative characteristics, sequential arrangement and relative importance.

1. Management functions are universal in the sense that a manager has to perform all these functions in the organization irrespective of his level or type of organization. Acting in their managerial capacity, chief executives, departmental heads, foremen, supervisors, etc., all do the same thing. Similarly, whether it is business organization or non-business organization, the managerial functions are involved.
2. Management functions have iterative quality, that is, they are contained within each other. For example, planning, organizing, directing and controlling may occur within staffing function. Similarly, organizing may involve planning, directing and controlling. We hear planning and controlling of organizational design (a part of organizing process). Thus, all management functions can be thought of as sub-functions of each other,
3. Although management process suggests a sequential arrangement of functions, it is not always possible in the performance of managerial functions strictly in a sequence. Sequential concept may be true for initiating managerial functions in a new organization, to begin with. For an on-going organization, it is not necessary to insist on a special time sequence for the various functions of management process.

This process may start from any point, not necessarily from planning, and end at any point. Moreover, several functions may be performed at the same time. For example, while giving direction through communication to subordinate, a superior manager also appraises (staffing function) his subordinate as how carefully he is grasping the ideas.

4. Since there are many managerial functions, often a question arises: which management function is more important so that managers devote more time to that. This question is quite vital but it cannot be pointed out categorically that a particular management function is more important than others. In fact, no function is more important but the mix of the functions varies from task to task and from level to level of management. Therefore, the relative importance of management functions can be identified in the context of management levels. This analysis will bring the clue for training and developing the managers at various levels for the performance of specific managerial functions.

Before we trace out the relative importance of different functions at various levels of management, it may be worthwhile to identify the roles that managers perform in the organizations.

15.5 Functions of Various Management Levels

We have seen earlier that five management functions - planning, organizing, staffing, directing, and controlling - are performed by every manager in an organization. However, the relative importance of these functions varies along the managerial levels. People of an organization are arranged in a hierarchy and they all have the relationship of superior-subordinate, except the person at the top-most position who is superior alone and person at the lowest level who is subordinate alone. Thus, there will be as many levels in the organization as the number of superiors in a line of command. From this point of view, there can be

many levels. From analysis point of view, some of the levels can be merged into one on the basis of nature of functions performed and authority enjoyed. However, there is no unanimity over the broad category of management levels. For example, Keith Davis has classified various levels of management as trusteeship management, departmental management, middle management and supervisory management. Litterer has a different type of classification when he classifies the management levels into institutional (trusteeship) level, general management (facilitating) level, and departmental management (integrating) level. The last category includes foremen and other supervisory personnel. Brech has classified management levels into three categories: top management, middle management and supervisory level.⁶ In fact, this classification is more suitable from analysis point of view/hence taken for further discussion. Various positions of an organisation can be put under three levels as shown in Figure.

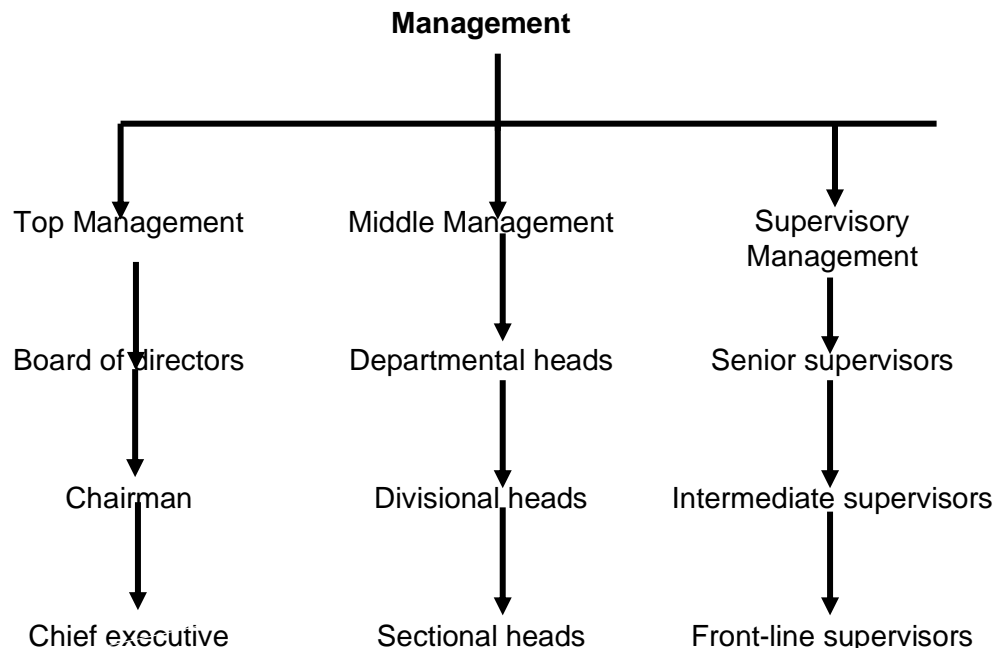


Figure: Levels of Management

15.5.1 Top Management

Top management of an organisation consists of board of directors, chairman and chief executive officer. Generally, chairman and chief executive officer positions are combined into one. At other times, chairman remains part-time in the organisation. At top management level, environment of the organisation is evaluated and basic goals of the organisation are established to fit the environmental appraisal, resources available at the disposal of the organisation, and needs of the organizational members.

Top management integrates the functions of the whole organisation. It is responsible for overall management and performs all such functions which are necessary for this. These functions may be grouped into three categories: overall management, overall operations, and overall relationship. Overall management includes determination of organizational goals and objectives, overall planning, organizing, staffing directing and controlling. Through these functions, it tries to integrate the organisation with the environment, .balance interests of various groups, and is responsible for overall results. In overall operation, it translates organizational plans into action, creates environment for work performance, and coordinates departmental heads. In overall relationship, it requires maintaining relationship with elements in organization's environment like government, trade associations, suppliers, financial institutions, etc.

Within the top level management, functions of board of directors and chief executive differ because board is constituted by persons taken from outside the organisation also while chief executive is a regular employee of the organisation.

15.5.2 Functions of Board of Directors:

A board is elected by the owners (shareholders) and is responsible to them as their agent for managing the affairs of the organisation. Board has authority to manage subject to the limitations imposed by the Memorandum of Association and Articles of Association of the company as well as the provisions of the Companies Act. There are numerous areas of responsibility which are generally recognized as constituting the functions and power of the board of directors. These responsibilities and functions may differ on the basis of board composition and its relationship with the company so far as management is concerned. Some companies emphasize only on the legal aspects of board functions while in many cases, the board really participates in the management of the company.

Various functions of board of directors can be divided into six categories: (i) trusteeship function, implying that board must use the property of the company; (ii) determination of basic objectives and policies of the organisation; (iii) selection of top executives and determination of overall organisation structure; (iv) approval of financial matters like approval of budget, appropriation of corporate earnings, etc.; (v) checks and controls over top managers; and (vi) legal functions as provided under the provisions of the Companies Act which include liabilities towards outsiders, towards the company and criminal liabilities.

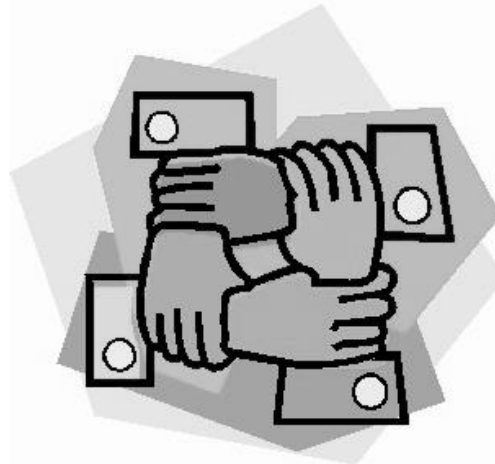
15.5.3 Functions of Chief Executive:

Chief executive is a person whose responsibility is to make major decisions for the organisation as a whole because he is responsible for overall management. In an organisation, there may be chief executive alone, or there may be multiple chief executives sharing the responsibility of overall management particularly in very large organizations. Where the system of multiple chief executives is followed, they act in the following capacity irrespective of their actual titles in the organisation.

Chief executive alone
Multiple chief executive
Chief executive—Chief operating officer.
Chief executive—chief operating officer—Chief staff officer
Executive group

15.6 Co-Ordination and Co-Operation

Co-ordination is much more than mere co-operation. Co-operation indicates merely the willingness of individuals to help each other. Co-operation is essential for the achievement of co-ordination but it cannot be substituted for co-ordination. Co-ordination is a much wider term than co-operation. Co-ordination makes possible a total accomplishment in excess of the sum of individual parts. Co-ordination is co-operation plus integration. Co-operation is the result of voluntary attitude of the participants. Co-ordination, on the other hand does not come about unless it is deliberately planned by the management. It consists of co-operation plus something i.e. elements of time, quantity and direction.



The members of a group may be willing to help each other but unless they supplement each other's efforts, group efforts cannot be successful. G.R. Terry has nicely explained the distinction between co-ordination and co-operation with the help of following illustration. A boy wishing to take an early morning train at 4 a.m. set his alarm clock at 15 a.m. before going to bed. His father, knowing of his son's desire to take the early morning train, went to his bedroom and turned the alarm by half an hour to 2.30 a.m. so that his son may not miss his train. His mother also did the same thing and set the clock at 2 a.m. As a result, the son got up two hours earlier and lost the much needed sleep by one hour. There has been co-operation between son and his parents, but there was no co-ordination. Co-operation can be the result of voluntary attitudes but co-ordination is generally created through deliberate action on the part of management. The above illustration shows co-operation among the actions of the son, father and mother, but there is lack of co-ordination among them.

Distinction between co-ordination and co-operation

| | Basis of Difference | Co-ordination | Co-operation |
|---|----------------------------|--|--|
| 1 | Meaning | It is a proper method of group efforts to provide unity of action to achieve the goals of the enterprise. | It is a collective and voluntary action of group of persons towards the common goal. |
| 2 | Nature | It is the result of conscious efforts on the part of the management. | It happens through voluntary efforts of the individuals. |
| 3 | Scope | Its scope is broader than co-operation. | It is an important element of the co-ordination. |
| 4 | Purpose | Its purpose is to attain the goals of the enterprise efficiently and economically by group efforts. | Its main purpose is mutual help. |
| 5 | Performance | It is accomplished in the various functions of management through the deliberate efforts made by the executives. | It is sought by the people working together by their voluntary actions. |

15.7 Need for Co-Ordination

The importance of co-ordination lies in the point that it is one word in which all management functions can be summarized. When the group efforts are co-ordinated, it results in greater effort than the sum total of individual and isolated efforts. It gives fillip to the morale of the employees and provides them job satisfaction. Co-ordination is an end result of all efforts, activities and forces (internal as well as external) to the enterprise. Inside the enterprise, it combines various resources i.e., men, money, material, etc. to achieve the objectives of the enterprise. Outside the enterprise, it is needed to create an environment favourable to the enterprise by giving due consideration to the regulation of the Government, technological advances and the wants and desires of the consumers, workers and owners.

15.7.1. Specialization

An organisation is divided into various departments and each department is headed by a specialist. Each specialist tries to over emphasize his role. Co-ordination of diverse activities of various departments is of utmost importance otherwise there may be utter confusion and chaos.

15.7.2 Conflicting individual and organisation goals

It is very important for every enterprise to bring about co-ordination between organisation goals and individual goals. If an individual is diverting from the path of organisation goals, he may be told immediately to mend his ways and try to achieve the objectives of the organisation.

15.7.3 Line and staff structure

The creation of line and staff structure in an organisation also creates problems of co-ordination. The staff officers may confuse their authority with line officers. Thus, co-ordination is necessary between line and staff officers for achieving the goals of enterprise.

15.7.4 Personality politics

In every enterprise rival groups of people can be formed. There is a need of bringing about co-ordination among the rival groups which sometimes try to sabotage the co-ordination process.

15.7.5 Different outlook

Each individual in an organisation is a complex and unique personality. Individuals assess and interpret organisation goals' from their own view points. Hence, management has to co-ordinate the activities of these individuals

15.7.6 Co-ordination is necessary for increasing efficiency

Co-ordination ensures a proper tempo for the whole organisation. A co-ordinated group effort helps to make an optimum use of all the resources. It, therefore, increases the efficiency.

15.8 Techniques of Effective Co-Ordination

Co-ordination implies the synchronization of all the activities of the business so as to achieve the pre-determined goals. According to Louis Allen, "A manager, in managing, must co-ordinate the work for which he is accountable by balancing, timing and integrating".

The following are the techniques of co-ordination :

- 1) Defining clearly authority and responsibility.
- 2) Formulation of clear cut policies and procedures.
- 3) Mutual communication
- 4) Existence of community of interest.
- 5) Effective leadership
- 6) Effective control
- 7) Voluntary co-operation
- 8) Sound organisation structure
- 9) Organisation manuals
- 10) Balancing, timing and integrating

15.8.1 Defining clearly authority and responsibility

In an organisation there are several vertical and horizontal authority relationships. Authority flows from top to the bottom. Confusion regarding authority increases the problems of co-ordination manifold because responsibility can be fixed only when the authority and its source is clearly demarcated.

15.8.2 Formulation of clear cut Policies and Procedures

Co-ordination becomes very easy if there are clear cut and well defined policies and procedures. It will ensure unity of action. The subjective handling of the problems is completely ruled out when set policies and procedures have been established.

15.8.3 Mutual Communication

Effective communication is essential for co-ordination. Direct communication helps to resolve the individual and departmental difference. Various types of communication include departmental news, reports bulletin, group or committee meetings etc. Through discussion, mutual exchange of ideas takes place and it helps in bringing harmony among the different departments of an enterprise.

15.8.4 Existence of Community of Interest

In order to have an effective co-ordination, it is essential that there should be a common understanding of the main objectives of the organisation. Every member of the organisation must consider his individual interests subordinate to the interests of the organisation.

15.8.5 Effective Leaderships

A good leader creates confidence among his subordinates and effectively resolves differences, if any, of the people working under him. Effective leadership is sure to promote co-ordination at all levels beginning from the planning stage to the implementation stage.

15.8.6 Effective Control

When an integrated control system is in existence, it automatically ensures coordinated group efforts. With the help of control charts, the management can immediately come to know the degree to which the various activities have been coordinated. For example, effective control can be exercised if a system of Budgetary Control is followed. In the light of the 'key factor', the priority of the budgets is decided. Generally all activities move around sales and sales budget is prepared first of all. All other budgets depend on this budget. Effective control is exercised through these budgets so as to ensure a coordinated functioning of the organisation as a whole.

15.8.7 Voluntary Co-operation

Voluntary co-operation facilitates co-ordination. If all the members of the organisation work as a team, the results can automatically follow. For example, a well composed football team or a hockey team produces better results than a team

which though playing co-operatively, play uncoordinated. Whenever conditions are ideal, the management should try to secure voluntary co-operation from the members of the organisation.

15.8.8 Sound Organisation Structure

It is very essential for co-ordination that there should be sound organisation structure. There should be organisation charts, job descriptions, work manuals etc, as these help to a great extent in securing co-ordination. Generally we find a conflict between line and staff positions. A sound organisation structure helps in securing co-ordination.

15.8.9 Organisation manuals :

Organisation manuals are drawn by large scale organisation for the organisation as a whole and then for different departments and sections. These manuals lay down the general philosophy of the organisation and serve as a guide to the understanding of the business and appreciation of the role of each section or department.

15.8.10 Appointment of Liaison Officers :

Certain organizations also appoint liaison officers who act to serve as a link between two individuals or departments and co-ordinate the activities of different individuals.

15.9 Questions

- 1) Define co-ordination. Discuss features and objectives of co-ordination.
- 2) What are the elements of Co-ordination? Explain the need and importance of co-ordination.
- 3) What do you understand by Co-ordination? Discuss the techniques to achieve co-ordination.
- 4) Describe the reasons for achieving co-ordination between Co-ordination and Co-operation.
- 5) Co-ordination is the essence of management. Comment.
- 6) Explain the importance and principles of Co-ordination.
- 7) Write short notes on the following :
 - I. Features/Characteristics of Co-ordination
 - II. Elements of Co-ordination.
 - III. Objectives of Co-ordination.
 - IV. Need for Co-ordination.
 - V. Techniques of Co-ordination.
 - VI. Vertical and horizontal Co-ordination.
 - VII. Distinguish between co-ordination and co-operations.
 - VIII. Co-ordination is the essence of management.

15.10 Summary

- Management is creating an internal environment at work place where people working together in groups can perform effectively & efficiently towards the achievement of the group goals.
- Management is social, inexact & soft science. This is because other sciences deal with inactive elements while management deals with human element.
- Management process includes Planning, organizing, Staffing, Directing & Controlling.

15.11 Exercises

- Define Management & explain the features.
- Explain in brief purpose & scope of management.
- Is Management Art or Science? Discuss.

15.12 Bibliography

- Management by Peter Drucker
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UNIT 16: CONTROLLING - ESSENCE AND TECHNIQUES

Structure

- 16.1 Introduction
- 16.2 Objectives
- 16.3 Nature & Objectives of Control
- 16.4 Importance of Control
- 16.5 Essential elements & process of control
- 16.6 Types of Control
- 16.7 Principles of an Effective Control System
- 16.8 Methods of Control
- 16.9 Summary



16.1 Introduction

In the previous units you have gained knowledge about the Directing, Motivations, Leadership and communication. A present Unit start with a discussion on various aspects related to control and then goes on to discuss the principles of controlling. We hope you will be able to apply them in relation to tourism management and operations.

Tourism management as well as tourism operations require extra-ordinary care in order to satisfy the tourists. This means that the operations not only have to be managed well but they require certain other necessary inputs. Keeping this in view, we introduce to you in this Unit management function of controlling. Whether it is a tour operator, a travel agency, a hotel, a government tourism organisation or any other firm operating in the tourism sector, it has to devise certain methods for controlling not only to earn profits for the firm but also to provide better services to the customers.

16.2 Objectives

After reading this Unit, you will be able to:

- Understand the nature and purpose of control,
- examine the prerequisites and characteristics of control,
- describe the control process,
- analyse the methods and managerial strategies of control,

16.3 Nature & Objectives of Control

The characteristics of control are discussed below which reflect its nature:

1. Important Management Function: Control is an indispensable function of management. It is a follow up action taken to achieve the efficiency of other managerial functions. Control is affected by other functions and in turn it affects the other functions of management. Every manager has to exercise control irrespective of the level of his authority and the nature of job.

2. Continuous Process: Control is continuous or regular process. Management has to be continuously vigilant to ensure that the enterprise is following a right path. Management must continuously review and improve upon the actual performance in order to achieve the predetermined objectives.

3. Mechanism: It is a mechanism according to which something or somebody is directed to follow the predetermined course. In a business enterprise it is the job of a manager to control performance of work and workers placed under his charge.

4. Dynamic Process: Control is not static but flexible. A control system can be effective only when it goes on changing according to the needs and conditions of the enterprise, It includes not only a review of the performance but adjustment of plans too.

5. Forward-Looking: Control is forward looking because one can control further happenings and not the past. It seeks to improve future events through past experience. A control system is formulated to minimize wastage, losses and undesirable deviations from the fixed standards. Control also helps in innovations and improvements in the set standards.

6. Action-Oriented: The essence of control is the corrective action that brings plans and performance close to each other. The whole exercise of managerial process is taken to arrive at organizational objectives set by the planning process. For this purpose, actions and further actions are necessary; each time there may be correction and change in the actions depending upon the information provided by control procedure.

7. Co-ordinate-integrated System: A control system is a co-ordinate-integrated system. This stresses that data collected for one purpose may

differ from those with another purpose. These data should be reconciled with one another. In this sense, control system is a single system but it is better to think of it as a set of interlocking sub-systems.

The various objectives of controlling are discussed below:

1. To find out what is happening or what has actually happened in the enterprise;
2. To assure that the work is performed according to the predetermined standards, and the desired results are achieved;
3. To increase the efficiency of operations by minimizing Irrelevant and wasteful actions;
4. To decide the corrective actions, if any, needed for the attainment of goals with a minimum of time, effort and expense; and
5. To co-ordinate different activities and effort.

16.4 Importance of Control

Managerial control is essential to efficient management. It helps the managers to measure actual performance and guide it towards the achievement of predetermined goals. It is important activity in any business enterprise. Just as road signals are necessary at a busy road crossing to ensure accident free and smooth flow of traffic, management control devices are necessary in an organization for the attainment of its goals. According to **Terry**, "Effective controlling assists in the efforts to regulate tire planned performance to assure that performance takes place as planned". The various reasons for the need and importance of control are given below:

1. **Efficient Execution:** Control is an important pre-requisite for an effective and efficient implementation of the pre-determined plans. It assists in determining variations, pinpointing the factors responsible for them and taking remedial measures.
2. **Helps Delegation:** Control can be meaningful only when it is preceded by proper delegation of authority and duties. Thus, it promotes delegation of authority to the employees at lower levels. In this way they develop a sense of involvement in the working of an organization.
3. **Aid to Decentralization:** The modern trend of business organizations is towards decentralization which calls for a systematic attempt for controlling. Under decentralization, the authority of decision making is dispersed throughout the organization. Management must keep control in its hands to know whether the authority is being used properly. Without adequate controls, decentralization cannot succeed.
4. **Assist Co-ordination:** The size of modern business enterprises is increasing. A huge amount of capital and large number at people are employed in them. This creates the problem of adequate control as there are many divisions producing and distributing different products. In order to co-ordinate their activities, an efficient system of control is

required.

5. **Simplifies Supervision:** Control simplifies supervision by pinpointing significant deviations. It keeps the employees under check and brings discipline among them. A good system of control detects the weak points very quickly. This helps the expansion of span of control at all levels.
6. **Aids to Efficiency:** Basically, control is concerned with ensuring that all the important factors in the enterprise move along the right lines and at the right pace. This assists in promoting all round efficiency.
7. **Boosts Morale:** Control techniques help in finding the deviations and identifying the factors responsible for the same. This boosts the morale of the employees because they know the work for which they are to be held responsible.

16.5 Essential Elements & Process of Control

Control is the process of assuring the efficient accomplishment of enterprise objectives. In the turbulent environment faced by management, control is necessary to anticipate problems, measure performance against standards, take corrective actions for deviations from plans and if necessary, modify plans. **The term control may have some negative connotations for some. But, in the management process, it is a facilitating function aiding the organisation to accomplish the set objectives.**

The primary responsibility for exercising control rests with every manager charged with the execution of plans. As **Henry Fayol** said, “**In an undertaking, control consists in verifying whether everything occurs in conformity with the plans adopted, the instructions issued and principles established. Its object is to point out weaknesses and errors in order to rectify them and prevent recurrence. It operates on everything, things, people, actions**”. It is wrong to assume that only top management has the responsibility for control and that there is little need for control at lower levels of management. While the scope for control may vary to some extent depending upon the position of an employee in the hierarchy, all those who have responsibility for the execution of plans need to exercise control too.

Control is closely linked with other functions of management because control may be influenced by other functions and may influence other functions too, often it is said 'planning is the basis, action is the essence, delegation is the key and information is the guide for control'. This shows that the following elements are essential to the operation of the control system:

1. **Planning:** Planning and control are closely linked with each other, Planning without control is meaningless and control without planning is blind. Planning provides the basis for control. Control brings to light all bottlenecks to work performance and operates as a straight pointer to the needs of the situation. It is, thus closely related to the planning function of the manager. Control is the result of particular plans, goals or politics. Thus, planning offers and affects control. Properly conceived plans become important elements in bringing effective control.

2. Action: Control implies what actions can be taken to correct the variation that may occur between standards and actual results. Certainly, it should assume the role of a fire brigade who moves into action only when the fire actually breaks out. But deviations may occur in spite of the best of guidance from the manager. In such a situation, the manager should be quick to act. He should be quick not only in identifying deviations, but also in rectifying them. Thus, control means action to correct variations or actions to prevent such deviations in future.

3. Delegation of Authority: Delegation of authority merely means granting of authority/power to subordinates to operate within prescribed limits. Control implies authority to get performance and detect deviations and also to take the necessary corrective action. A manager cannot exercise control without adequate authority. He has to control the operations which are exercised by taking action and action may be taken within the limits of the authority. The best policy of delegation is the matching of responsibility and authority. It suggests that a manager must have corresponding authority as compared to his responsibility.

4. Information: For effective control, there must be a prompt flow of information to the manager. Every manager in the organization must have adequate information about his performance, standards, and how he is contributing to the achievement of organizational objectives. The system of communication to the manager is called "feedback". An effective feedback helps the manager to know where and when deviation from any plan has taken place. He can then initiate prompt corrective action. Promptness in reporting is vital to quick remedial action.

The control process involves the following three steps:

1. Establishing Standards: Standards mean criteria of performance. They can be based on past performance, managerial judgement or scientific analysis. They are used to measure performance and judge success or failure. Standards may be of many kinds and include verifiable goals set in qualitative or quantitative terms. An organisation can establish standards in such areas as :

- Profitability
- Productivity
- Market Share
- Worker Performance
- Quality
- Innovation
- Customer Care
- Social Responsibility, etc.



2. Measuring of Performance: Essentially, it is a comparison between "what is" and "what should be" the performance. Ideally, measurement should be done on a forward-looking basis to predict probable deviations from standards rather than merely be used as a post mortem exercise. To the extent prediction becomes possible; control becomes effective because appropriate actions can be taken well in advance of their actual occurrence.

3. Reinforcing Success/Correcting Deviations: When plans and organisation structures are clear, it is easy to reinforce success and avoid failures. When deviations are noticed or apprehended based on warning signs, the reasons can be analysed and appropriate corrective actions taken promptly.

Check Your Progress - I

1) Write a short note on the objectives of controlling.

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2) Write in short about the process of controlling.

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16.6 Types of Control

There are two types of control: (a) Direct Control (b) Indirect Control

(a) Direct Control: The control such as cost control, quality control and budgetary control are termed as direct control. The control is called direct as results can be directly compared.

(b) Indirect Control: It refers to establishing a system of control mechanism whereby the control is automatically maintained.

Controls can also be classified as physical control and financial control.

(i) Physical Control: The physical control seeks to control quality and quantity. Output may be fixed per day or per man in terms of quantity. Quality standards may be fixed such as hardness of steel or fastness of colour etc.

(ii) Financial Control: Such a control is expressed in terms of monetary value such as cost per unit of output or per unit of labour or sale price per unit etc.

Sometimes physical as well as financial controls may be jointly applied as in the case of budgetary control. Physical as well as financial standards are fixed in advance and actual performance is compared with the standards.

Other Classification: Control can also be classified on the various activities of the business enterprise such as policy control, inventory control etc.

16.7 Principles of an effective control system

An ideal system of control is that which makes the controlling function easy, effective and smooth. The following are the essentials or basic

requirements or principles of an ideal control system:

1. Suitability: The control system should be appropriate to the needs, kind of activity and circumstances of an enterprise. Control is executed through managerial position. The flow of information concerning current performance should correspond with the organizational structure employed. So that deviations may be reported according to job positions at different levels of the organization.

2. Simplicity: To be effective, control system must be clear, easy to understand and operate. Unless the control system is understood properly by those responsible for its implementation it cannot succeed. A complex system will not only create hurdles in the performance of activities, but it will also not bring the results expected of it.

3. Objectivity: The fixation of standards, measurement of performance and corrective action must be objective and impersonal. Subjective and arbitrary control cannot be effective. It is essential that the standards to judge the actual performance are clear, definite and stated in numerical terms.

4. Economical: The systems of control must be worth their costs. They must justify the expenses involved. The cost of control system should not exceed the possible savings from its use. The complicated control system should be avoided to keep a check on the costs of control. It, therefore, becomes essential to concentrate the control system on factors which are important to keep the costs down and make the system economical.

5. Flexibility: The system of control must be flexible, i.e., workable even if the plans have to be changed. A good control system must keep pace with the continuously changing pattern of a dynamic business world. It must be responsive to changing conditions. Control system should be flexible so that it can be adjusted to any modification or alteration in a plan.

6. Quick Reporting: Time is an important element in enforcing a control system. Subordinates should inform their superiors quickly with actual results and all deviations from standards. Delays in reporting of information will make control ineffective. Promptness is also needed in initiating the corrective action. Quick reporting helps in the timely disposal of deviations.

7. Suggestive: A control system should not only measure performance and detect deviations; it should suggest remedial measures as well. In other words, good control system should be self-correcting. In fact, a control system can be effective only when it is considered as part of the internal working and not as a mechanism, operating from outside.

8. Forward-looking: The control system should be directed towards future. In fact, the control system can at times be so devised as to anticipate possible deviations or problems. It should be preventive and not merely corrective. Ideal control is spontaneous. Cash forecasts and cash control is an example where a financial manager can forecast the future cash needs and provide for in advance.

9. Individual Responsibility: Control can be effective when it focuses on individuals rather than on jobs or works.

10. Strategic Point Control: All deviations from standards are not of equal importance. Hence, to control all deviations is not desirable. Therefore, the control system should focus on key, critical or strategic points which require management attention. Effective and efficient control is control by exception. Uncontrollable deviations need not be given much care and thought.

11. Self – Control: Different departments may be asked to control themselves. If a department can have its own control system, much of the detailed controls can be handled within the department. These sub-systems of self control can then be tied together for an overall control system.

12. Feedback: It means information on previous performance. For effective control, regular flow of information regarding the actual performance is necessary. Feedback can be supplied through personal contact, observation or reports. Automatic feedback assists in taking corrective action at the right time or in adjusting future operations.

16.8 Methods of Control

Aurthur Bedeian discusses nine methods of control and classifies them into three categories based on their frequency of use:

- 1) Constantly Used Control Methods:** Self-control, group control and policies, procedures and rules.
- 2) Periodically Used Control Methods:** Management Information Systems, External Audits and Budgets.
- 3) Occasionally Used Control Methods:** Special reports, personal observation and project control. The nine methods of control mentioned above are briefly discussed hereunder.

1) Constantly Used Control Methods:

i. Self- Control: Managers need to exercise more self-control to minimise the need for other control methods and making control in the organisation acceptable and effective. Self-control means giving a fair day's work for a fair day's pay, reporting to work on time, discharging duties and responsibility properly and respecting the rights of others in the organisation. Respect for self-control in an organisation can be a motivating factor. A sense of appreciation for self-control can be promoted among employees through training in behaviour modification.

ii. Group Control: Work groups are a source of control. Group-defined norms exert greater influence in organisations than the norms that managements may choose to set unilaterally and thrust on groups. Group norms and group control can aid or hinder formal authority. Organisations would do well to develop and use group control processes to reinforce formal authority. While in some organisations group control processes helped increase output and improve quality, in others they resulted in restricting output. For group norms to contribute to organisational goals,

there should be a climate of trust and openness, a culture of cooperation than confrontation. Quality circle, quality of work life programmes and work redesign experiments being taken up in some organisations are examples that point to organisational thrust towards reinforcing group control processes for achieving organisational goals through integration of members' interests with those of the organisation.

iii. Policies/Procedures/Rules: These are essentially bureaucratic control mechanisms referred to in the discussion on control strategies. They reflect past managerial experience and include a variety of aspects concerning how to make certain decisions, deal with resources, etc. If the policies, procedures and rules are properly formulated, clearly communicated and implemented consistently throughout the organisation, they can be effective in controlling individual and work group behaviour.

2) Periodically Used Controls Methods:

- i. Management Information Systems:** A Management Information System is a mechanism designed to collect, combine, compare, analyse and disseminate data in the form of information. As such, management information systems link the various decision-making centres within an enterprise and serves a useful function in providing feedback for control purposes.
- ii. External Audits:** The annual financial audit by an outside accounting firm is one form of external audit, mainly of the finances of an organisation. **Forward looking progressive private companies have in the past sought to have a social audit, not for evaluating financial performance, but to find out whether and how well they have been discharging their social obligations.**
- iii. Budgets:** Budgets are plans that deal with the future allocation and utilisation of various resources to different enterprise activities over a given period of time. Budgets help establish plans and also serve as the basis for measuring or evaluating the standards of performance. Budgetary control is a good example of bureaucratic control strategy.

3) Occasionally Used Control Methods:

- i. Special Reports:** These have a special role. Special reports can be commissioned by an organisation when its normal control systems point to the need for detailed investigation or study of a particular operational aspect. When major policy decisions of strategic importance are taken, special reports may be commissioned. These include situations where the organisations find the need for overcoming the existing difficulties, modernisation, expansion, diversification, merger, acquisition etc. Special reports vary in content and style depending upon the purpose. They could be prepared internally by managers in the organisation or by consultants or outside institutions. Special reports are a valuable method for controlling in turbulent environments, warranting changes in products and markets, technology and production processes, organisational structure, etc.
- ii. Personal Observation:** Managers can know what is happening in an organisation by relying on information provided by others as also by finding out for themselves. Firsthand knowledge has to be critical to be effective.

iii. **Project Controls:** Various methods have been developed for controlling specific enterprise projects. The best example is the network analysis using the PERT tool. PERT is an acronym for Programme Evaluation and Review Technique. It is a diagram showing the inter-relationships between the events and activities that comprise a project. It is a detailed, easy-to-communicate means for determining current status of a project, stimulate alternative plans and schedules and controlling activities.

Check Your Progress - II

1) Write a short note on various types of control systems.

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2) Describe the Constantly Used Control Methods.

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16.9. Summary

We have observed that control is the process of assuring the efficient accomplishment of enterprise objectives. It is the primary responsibility of everyone who has responsibility for execution of plans. Controls should be based on plans and there is need for a structure to know where the responsibility lies. Controls should be appropriate, strategic, acceptable, objective and cost-effective.

The control process involves three steps: establishing standards, measuring performance and reinforcing success or correct deviations. Controls can be constant, periodic or occasional. As a matter of policy organisations may prefer control to the centralised or dispersed and delegated, formal or informal and direct or indirect. Large organisations need delegation, certain amount of formalisation and direct control systems. The unit further explained principles of an ideal control system and methods of control.

16.10. Glossary

- **Centralisation:** Centralisation of authority at higher levels of management.
- **Controlling:** The managerial function of measuring and correcting performance of activities of subordinates in order to assure that enterprise objectives and plans are being accomplished.
- **Coordination:** Linking or relating various parts and activities of an organisation to one another.
- **Direct Control :** The concept that the most direct of all controls is to assure high-quality managers on the premise that qualified managers make fewer

mistakes requiring other (or indirect) controls, perceive and anticipate problems, and initiate appropriate actions to avoid or correct for deviations.

- **Feedback:** An informational input in a system transmitting messages of system operation to indicate whether the system is operating as planned. Information on operations is relayed to the responsible persons for evaluation.

16.11. Reference / Bibliography

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3. Drucker, Peter F.1975/81.Management Tasks, Responsibilities & Practices, Allied Publishers Pvt. Ltd. New Delhi
4. Gupta R.S., Sharma B.D., Bhalla N.S.,2010.Principles and Practices of Management, Kalyani Publishers, New Delhi.

16.12. Terminal and Model Questions

1. Explain the Methods of control in detail with special reference to hospitality trade?
2. Elaborate the importance and essential elements of controlling?
3. Write a detailed essay on the characteristics of controlling?