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Principles of Management (MTTM 102)

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UNIT 1: EVOLUTION OF THE PROCESS OF MANAGEMENT AND ITS PRESENT STATUS

STRUCTURE

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1.1 INTRODUCTION

The concept of management has acquired special significance in the present competitive and complex business world. Efficient and purposeful management is absolutely essential for the survival of a business unit. Management concept is comprehensive and covers all aspects of business. In simple words, management means utilising available resources in the best possible manner and also for achieving well defined objectives. It is a distinct and dynamic process involving use of different resources for achieving well defined

objectives. The resources are: men, money, materials, machines, methods and markets. These are the six basic inputs in management process (six M's of management) and the output is in the form of achievement of objectives. It is the end result of inputs and is available through efficient management process.

1.2 OBJECTIVES

- To understand the concept of management
- To understand the need and importance of management functions
- To understand the concept of management process and its development
- To understand the management of the future

1.3 MANAGEMENT: CONCEPT AND MEANING

Management is the act of getting people together to accomplish desired goals and objectives using available resources efficiently and effectively. Management comprises planning, organizing, staffing, leading, coordinating and controlling an organization (a group of one or more people or entities) or effort for the purpose of accomplishing a goal. Resourcing encompasses the development and manipulation of human resources, financial resources, technological resources and natural resources.

Since organizations can be viewed as systems, management can also be defined as human action, including design, to facilitate the production of useful outcomes from a system. This view opens the opportunity to 'manage' oneself, a pre-requisite to attempting to manage others.

The term 'management' is used extensively in business. It is the core or life giving element in business. We expect that a business unit should be managed efficiently. This is precisely what is done in management. Management is essential for the conduct of business activity in an orderly manner. It is a vital function concerned with all aspects of working of an enterprise.

1.4. DEFINITIONS OF MANAGEMENT

1. According to George R. Terry, "Management is a distinct process consisting of planning, organising, actuating and controlling, performed to determine and accomplish stated objectives by the use of human beings and other resources".
2. According to Henry Fayol, "To manage is to forecast and to plan, to organise, to command, to coordinate and to control".
3. According to Peter Drucker, "Management is a multi-purpose organ that manages business and manages managers and manages workers and work".
4. According to Harold Koontz, "Management is the art of getting things done through and with people in formally organized groups".

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

1.5 CHARACTERISTICS OF MANAGEMENT

1. Management is a managerial process: Management is a process and not merely a body of individuals. Those who perform this process are called managers. The managers exercise leadership by assuming authority and direct others to act within the organisation. Management process involves planning, organising, directing and unifying human efforts for the accomplishment of given tasks.
2. Management is a social process- Management takes place through people. The importance of human factor in management cannot be ignored. A manager's job is to get the things done with the support and cooperation of subordinates. It is this human element which gives management its special character.
3. Management is action-based: Management is always for achieving certain objectives in terms of sales, profit, etc. It is a result-oriented concept and not merely an abstract philosophy. It gives importance to concrete performance through suitable actions. It is an action based activity.
4. Management involves achieving results through the efforts of others: Management is the art of getting the things done through others. Managers are expected to guide and motivate subordinates and get the expected performance from them. Management acts as an activating factor.
5. Management is a group activity: Management is not an isolated individual activity but it is a collective activity or an activity of a group. It aims at using group efforts for achieving objectives. Managers manage the groups and coordinate the activities of groups functioning in an organisation.
6. Management is intangible: Management is not directly visible but its presence is noticed in the form of concrete results. Management is intangible. It is like invisible spirit, which guides and motivates people working in a business unit. Management is like government, which functions but is not visible in physical form.
7. Management is aided, not replaced by computers: The computer is an extremely powerful tool of management. It helps a manager to widen his vision. The computer supplies ocean of information for important decision-making. The computer has unbelievable data processing and feedback facilities. This has enabled the manager to conduct quick analysis towards making correct decisions.

A computer supports manager in his managerial work. However, it cannot replace managers in business. They were required in the past, at present and also in future. Their existence is absolutely essential in the management process.

8. Management is all pervasive: Management is comprehensive and covers all departments, activities and employees. Managers operate at different levels but their functions are identical. This indicates that management is a universal and all pervasive process.
9. Management is an art, science as well as a profession: Management is an art because certain skills, essential for good management, are unique to individuals. Management is a science because it has an organised body of knowledge. Management is also a profession because it is based on advanced and cultivated knowledge.
10. Management aims at coordination of activities: Coordination is the essence of management. It gives one clear direction to the whole organisation and brings unity and harmony in the whole business unit. For such coordination, effective communication at all levels is essential.
11. Management is innovative: Management techniques are dynamic and innovative. They need to be adjusted as per the requirements of the situations. Another manager need not repeat the decisions of one manager. Similarly, a manager has to change his decisions under different situations.
12. Management has different operational levels: Every Organisation needs managers for managing business activities. The manager's job is basically the same at all levels. The managers at the higher levels have more important duties while managers at the lower levels have to perform routine functions i.e duties.
13. Management is different from ownership: Management is concerned with the management of business activities. Managers are not the owners but they manage the business on behalf of the owners. Separation of ownership and management is a special feature of modern business organisation.
14. Management has vast scope: The scope of management is quite comprehensive. It covers all aspects of business. The principles of management guide managers while managing various business activities.
15. Management is dynamic: Business is influenced by changes in economic, social, political technological and human resource. Management adjusts itself to the changing atmosphere making suitable forecasts and changes in the policies. Hence, management is treated as a dynamic activity.
16. Management aims at achieving predetermined objectives: Management is a meaningful activity. All organisations are essentially groups of

individuals formed for achieving common objectives. An Organisation exists for the attainment of specific objectives.

1.6 NEED OF MANAGEMENT

1. Direction, coordination and control of group efforts: In business, many persons work together. They need proper direction and guidance for raising their efficiency. In the absence of guidance, people will work as per their desire and the, orderly working of enterprise will not be possible. Management is needed for planning business activities, for guiding employees in the right direction and finally for coordinating their efforts for achieving best/most favorable results.
2. Orderly achievement of business objectives: Efficient management is needed in order to achieve the objectives of business activity in an orderly and quick manner.
3. Performance of basic managerial functions: Planning, Organising, Co-ordinating and Controlling are the basic functions of management. Management is needed as these functions are performed through the management process.
4. Effective communication at all levels: Management is needed for effective communication within and outside the Organisation.
5. Motivation of employees: Management is needed for motivating employees and also for coordinating their efforts so as to achieve business objectives quickly.
6. Success and stability of business enterprise: Efficient management is needed for success, stability and prosperity of a business enterprise.

Modern business is highly competitive and needs efficient and capable management for survival and growth. Management is needed as it occupies a unique position in the smooth functioning of a business unit. This suggests the need of efficient management of business enterprises. Profitable/successful business may not be possible without efficient management. In this sense, "No management, no business" is true. Survival of a business unit in the present competitive world is possible only through efficient and competent management.

1.7 MEANING OF MANAGEMENT PROCESS

The term management is explained in different ways. For example, it is said that management is what management does. Here, management is explained with reference to its basic functions which include planning, organising, coordinating and controlling.

Similarly, management is described as a process which involves various elements. Management process is a continuous one and is run by the managers functioning at different levels. Management is now recognised as a distinct

process in which managers plan, organise, lead, motivate and control human efforts in order to achieve well defined goals. In fact, process means a series of activities/operations undertaken/conducted for achieving a specific objective. Process is a systematic way of doing things.

For example, in a factory there is a production process. Similarly, in the management process, resources and human efforts are used in an orderly manner for achieving specific objectives. The management process suggests functions to be performed by the managers.

1.8 DEFINITION OF MANAGEMENT PROCESS

1. According to D. E. McFarland, "Management is the distinct process by which the managers create, direct, maintain and operate purposive organisation through systematic, co-coordinated and cooperative human efforts".
2. According to Gemp R. Terry, "Management is a distinct process consisting of planning, organising, actuating, and controlling, performed to determine and accomplish objectives by the use of people and other resources".

1.9 FUNCTIONS/ELEMENTS OF MANAGEMENT

The essential elements/components of Management Process are four.

- a. Planning
- b. Organising
- c. Directing and
- d. Controlling.

We may add some more elements in the management process. Such elements are:-

- i. Motivating
- ii. Co-coordinating
- iii. Staffing and
- iv. Communicating.

The elements in the management process are actually the basic functions of management these functions constitute the management process in practice. Management process is in fact, management in practice. This process suggests what a manager is supposed to, do or the basic functions that he has to perform while managing the job assigned to him.

Luther Gullic gave a new formula to suggest the elements of Management Process i.e. basic functions of management. According to him, management process may be indicated by the word "PODSCORB". Here, 'P' states for 'planning'. "O" for 'organising', "D" for 'directing', "S" for 'Staffing', "CO"

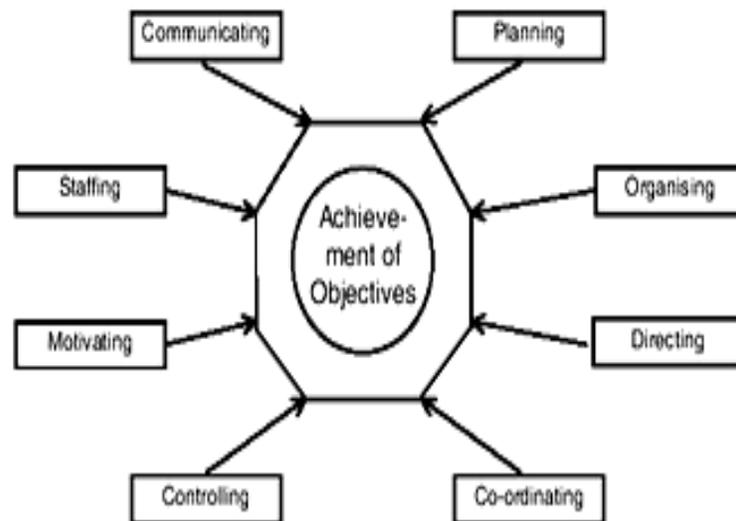
for 'Coordinating, "R" for 'Reporting' and "B" for 'Budgeting'. Gullic coined the word "PODSCORB" to suggest seven functions of management.

The following figures show the management process and the elements involved:

(A) Management Process:



(B) Elements of Management Process (Functions of Management):



1. Planning: Planning is the primary function of management. It involves determination of a course of action to achieve desired results/objectives. Planning is the starting point of management process and all other functions of management are related to and dependent on planning function. Planning is the key to success, stability and prosperity in business. It acts as a tool for solving the problems of a business unit. Planning plays a pivotal role in business management it helps to visualize the future problems and keeps management ready with possible solutions.
2. Organising: Organising is next to planning. It means to bring the resources (men, materials, machines, etc.) together and use them properly for achieving

the objectives. Organisation is a process as well as it is a structure. Organising means arranging ways and means for the execution of a business plan. It provides suitable administrative structure and facilitates execution of proposed plan. Organising involves different aspects such as departmentation, span of control delegation of authority, establishment of superior-subordinate relationship and provision of mechanism for co-ordination of various business activities.

3. Staffing: Staffing refers to manpower required for the execution of a business plan. Staffing, as managerial function, involves recruitment, selection, appraisal, remuneration and development of managerial personnel. The need of staffing arises in the initial period and also from time to time for replacement and also along with the expansion and diversification of business activities. Every business unit needs efficient, stable and cooperative staff for the management of business activities. Manpower is the most important asset of a business unit. In many organisations, manpower planning and development activities are entrusted to personnel manager or HRD manager. 'Right man for the right job' is the basic principle in staffing.
4. Directing (Leading): Directing as a managerial function, deals with guiding and instructing people to do the work in the right manner. Directing/leading is the responsibility of managers at all levels. They have to work as leaders of their subordinates. Clear plans and sound organisation set the stage but it requires a manager to direct and lead his men for achieving the objectives. Directing function is quite comprehensive. It involves Directing as well as raising the morale of subordinates. It also involves communicating, leading and motivating. Leadership is essential on the part of managers for achieving organisational objectives.
5. Coordinating: Effective coordination and also integration of activities of different departments are essential for orderly working of an Organisation. This suggests the importance of coordinating as management function. A manager must coordinate the work for which he is accountable. Co-ordination is rightly treated as the essence of management. It may be treated as an independent function or as a part of organisms function. Coordination is essential at all levels of management. It gives one clear-cut direction to the activities of individuals and departments. It also avoids misdirection and wastages and brings unity of action in the Organisation. Co-ordination will not come automatically or on its own Special efforts are necessary on the part of managers for achieving such coordination.
6. Controlling: Controlling is an important function of management. It is necessary in the case of individuals and departments so as to avoid wrong actions and activities. Controlling involves three broad aspects: (a) establishing standards of performance, (b) measuring work in progress and

interpreting results achieved, and (c) taking corrective actions, if required. Business plans do not give positive results automatically. Managers have to exercise effective control in order to bring success to a business plan. Control is closely linked with other managerial functions. It is rightly treated as the soul of management process. It is true that without planning there will be nothing to control it is equally true that without control planning will be only an academic exercise Controlling is a continuous activity of a supervisory nature.

7. **Motivating:** Motivating is one managerial function in which a manager motivates his men to give their best to the Organisation. It means to encourage people to take more interest and initiative in the work assigned. Organisations prosper when the employees are motivated through special efforts including provision of facilities and incentives. Motivation is actually inspiring and encouraging people to work more and contribute more to achieve organisational objectives. It is a psychological process of great significance.
8. **Communicating:** Communication (written or oral) is necessary for the exchange of facts, opinions, ideas and information between individual's and departments. In an organisation, communication is useful for giving information, guidance and instructions. Managers should be good communicators. They have to use major portion of their time on communication in order to direct, motivate and co-ordinate activities of their subordinates. People think and act collectively through communication. According to Louis Allen, "Communication involves a systematic and continuing process of telling, listening and understanding".

1.10 IMPORTANCE OF MANAGEMENT

1. **Optimum utilization of resources:** Management facilitates optimum utilization of available human and physical resources, which leads to progress and prosperity of a business enterprise. Even wastages of all types are eliminated or minimized.
2. **Competitive strength:** Management develops competitive strength in an enterprise. This enables an enterprise to develop and expand its assets and profits.
3. **Cordial industrial relation:** Management develops cordial industrial relations, ensures better life and welfare to employees and raises their morale through suitable incentives.
4. **Motivation of employees:** It motivates employees to take more interest and initiatives in the work assigned and contribute for raising productivity and profitability of the enterprise.
5. **Introduction of new techniques:** Management facilitates the introduction of new machines and new methods in the conduct of business activities. It also

brings useful technological developments and innovations in the management of business activities.

6. Effective management: Society gets the benefits of efficient management in terms of industrial development, justice to different social groups, consumer satisfaction and welfare and proper discharge of social responsibilities.
7. Expansion of business: Expansion, growth and diversification of a business unit are possible through efficient management.
8. Brings stability and prosperity: Efficient management brings success, stability and prosperity to a business enterprise through cooperation among employees.
9. Develops team spirit: Management develops team spirit and raises overall efficiency of a business enterprise.
10. Ensures effective use of managers: Management ensures effective use of managers so that the benefits of their experience, skills and maturity are available to the enterprise.
11. Ensures smooth functioning: Management ensures smooth, orderly and continues functioning of an enterprise over a long period. It also raises the efficiency, productivity and profitability of an enterprise.
12. Reduces turnover and absenteeism: Efficient management reduces labour turnover and absenteeism and ensures continuity in the business activities and operations.
13. Creates sound organisation: A dynamic and progressive management guarantees development of sound Organisation, which can face any situation - favourable or unfavourable with ease and confidence.

The very survival of an enterprise depends on its management. Ineffective management leads to disastrous consequences. According to George Terry, "Ineffective management cuts at the very roots of economy of an enterprise's. This suggests the importance of efficient management. In brief, management occupies a unique position in the functioning of business enterprises. Its importance and positive role is accepted in all sector-private, public, joint and co-operative. Management is like a human brain. It is an integral aspect of business itself. The importance of management is not fully realised in many developing countries. The economic progress of western countries is not merely due to abundant material resources but because they are efficiently managed and utilised. In other countries, resources are not utilised fully and properly due to lack of managerial skills. This suggests that management is a key factor in the working of business enterprises. There is no substitute to efficient management. An inefficiently managed business enterprise has no place in the present complex and competitive business world groups.

1.11 MANAGEMENT IN THE FUTURE

In the next couple of decades, management theory and practice is bound to change in order to meet the complex and ever changing environmental variables. The phenomenal growth in multinational and transnational operations, fast changing technology, increasing complexity of decision making, dynamic social and economic environment, globalisation of business and elastic project organisations and task groups will significantly influence the future managerial world and managerial tasks. There are successful business and management leaders publishing their memories and offering their experience to the world. There is great increase in the number of business schools. Management education is bank ably providing expertise to nonage the business and this trend is likely to continue. Career paths are likely to be based on expertise alone. Managers will be under pressure to develop this expertise and apply it in an ever-widening range of situations rather than their ability to survive the bureaucratic jungle. They will have to combine their personal, professional and operational qualities and capacities to the satisfaction of employers and the society. The future must be considered as an opportunity and not a problem.

The future business environment will be dominated by information technology (IT), globalisation, material and energy shortages, problems of pollution and ecological balance, consumerism, inflation and R & D. The costs of employing expert managers are regarded as an investment for effective business performance. Management is a designated expertise, increasingly professionalized and is likely to progress to a highly organised status. It is assumed that young people will choose management as an occupation and will progress from lower to middle and from middle to top management positions. An ever-greater range of knowledge is available to all aspects of business and management. Some forces/factors that are likely to have an impact upon management in future are as mentioned below:-

1. Emergence of knowledge society.
2. Development of socially concerned Humanistic society.
3. Widespread application of information technology (IT)
4. Transition from industrial to service economy.
5. Growing use of innovations and R & D.
6. Social accountability of business.
7. Satisfaction of human and social values in man-machine system.
8. Liberalization and Globalisation of the business.

1.12 DEVELOPMENT OF MANAGEMENT THOUGHT

Management thought has a long history. It is as old as human civilization itself. Management in one form or the other has been a significant feature of economic life of mankind throughout ages. Management thought is an

evolutionary concept It has develop along with and in line with the growth of social, political, economic and scientific institutions. Management thought has its origin in the ancient times. It developed gradually along with other socioeconomic developments. The contributor's to management though are many. They include Management philosophers, management practitioners and scholars. Modern management is based on the solid foundations laid down by management thinkers from the early historical period.

1.12.1 HISTORICAL BACKGROUND OF MANAGEMENT

The recorded use of organised management dates back to 5000 B.C. when the agricultural revolution had taken place. These agricultural civilizations existed in India, China and Egypt According to Peter Drucker these irrigation civilizations "were not only one of the great ages of technology, but it represented also mankind's most productive age of social and political innovation". As the villages grew and civilizations evolved, the managers too grew and evolved. They became the priests, the kings, the ministers holding power and wealth in the society. Written documents found in the Sumerian civilization which flourished some 5000 years ago, contains evidence of management control practices.

As early as 4000 B.C., the Egyptians were aware of the importance of planning, organising and controlling. The huge pyramids of Egypt stand a mute testimony to the managerial and organizational abilities of the ancient Egyptian civilization. One pyramid required 1,00,000 men working for 20 years, covering 13 acres, using 2.3 million blocks, each weighing an average of 2.5 tons. To produce such a monument required proper planning, work allocation, organising, directing, controlling and decision making.

In the Grecian civilization we find the origin of the Scientific Method in the famous Socratic discourses. The Romans who built a vast empire extending from Britain in the west to Syria in the east ruled it for many years only because of their superior and advanced managerial abilities.

In ancient India Kautilya wrote his Arthashastra in about 321 B.C. the major theme of which was political, social and economic management of the State. The study of administration of the cities of Mohenjodaro and Harappa of the ancient Aryans in 2000 B. C., Buddha's order and the Sangha in 530 B. C., provide evidence about the use of the principles of management.

During the 13th and 14th centuries AD the large trading houses of Italy needed a means of keeping records of their business transactions. To satisfy their needs Luca Pacioli published a treatise in 1494 describing the Double Entry System of Book-keeping for the first time.

Management thought is an evolutionary concept. New theories and principles were suggested along with new developments in the business field.

The new thoughts supplemented the existing thoughts and theories. This is how developments are taking place continuously in regard to management thoughts/theories. Management thinkers and thinkers from other fields such as economics, psychology, sociology and mathematics have also made their contribution in the evolution of management thought.

1.12.2 EVOLUTION OF MANAGEMENT THOUGHT

This evolution of management thought can be studied in the following broad stages:

The Classical Theory of Management (Classical Approach): It includes the following three streams of thought: (i) Bureaucracy, (ii) Scientific Management; and (iii) Administrative Management

A. The Neo-classical theory of Management: It includes the following two streams: (i) Human Relations Approach (ii) Behavioral Sciences Approach.

B. The Modern Theory of Management: It includes the following three streams of thought: (i) Quantitative Approach to Management (Operations Research); (ii) Systems Approach to Management and (iii) Contingency Approach to Management.

It is rather difficult to state the exact period of each stage in the evolution of management thought. Experts, in general, agree with the following period for each thought/school.

- a. Classical School/thought: 1900 to 1930.
- b. Neo-classical School/thought: 1930 to 1960.
- c. Modern School/thought: 1960 onwards.

The development of management thought is the result of contributions made by pioneering management thinkers and experts from other social sciences such as economics and psychology.

1.12.3 CONTRIBUTION OF F.W.TAYLOR TO MANAGEMENT THOUGHT

F.W. Taylor is one of the founders (the other two are Max Weber and Henry Fayol) of classical thought/classical theory of management. He suggested scientific approach to management also called scientific management theory. F. W. Taylor (1856-1915) is rightly treated as the father of scientific management. He suggested the principles of scientific management. His concept of scientific management developed into a movement and dominated the industrial management for several decades after him. His concepts and principles were refined and popularized by several of his followers, notable among them being Henry Gantt, The Gilberths and Emerson.

Principles of Scientific Management

According to Taylor, scientific management in its essence consists of a philosophy which results in a combination of four important underlying principles of management. First, the development of a true science, second, the scientific selection of the workers, third, their scientific education and development, fourth, intimate co-operation between management and their men. The basic principles of Taylor philosophy of scientific management are as noted below. These principles of scientific management are most crucial aspects of scientific management. The development of 'One best way' of doing a job. This suggests the task of finding out the best method for achieving the objectives of a given job. The standards are decided scientifically for Jobs and incentive wages were paid for all production above this standard. Here, job analysis and standardization of tools, equipment, machinery, etc. are required.

1. Scientific selection of workers and their development through proper training.
2. Scientific approach by management. The management has to develop a true science in all fields of work activity through scientific investigation and experiments.
3. Close co-operation of managers and workers (labour management relations) for better results and understandings.
4. Elimination of conflict between methods and men. The workers are likely to resist to new methods. This can be avoided by providing them an opportunity to earn more wages.

Features of Scientific Management

1. Scientific task setting: F. W. Taylor suggested the introduction of standard task which every worker is expected to complete within one day (working hours) the task is to be calculated through careful scientific investigation. For this, work study (i.e. method study and work measurement study) is essential. Taylor suggested time study, motion study, fatigue study and rate-setting for the introduction of scientific task. Time study is the art of observing and recording the time required to do each detailed element in an industrial operation. Motion study refers to the study and analysis of the movements of an operator while performing a job so that attempts can be made to remove useless/unwanted movements from the process. Both the studies together help in determining the best method of performing a job and the standard time allowed for it. This replaces the old rule-of-thumb knowledge of the workers. The workload, the best method of performing the same and the time within which it must be performed are suggested in this feature of scientific management by Taylor.

2. **Planning the task:** For performing the task by every worker, Taylor suggested the need of planning the production activity accurately. This idea of planning is Taylor's gift to the science of management. Planning of task gives answers to the following questions. What has to be done, how it is to be done, where the work shall be done and when the work shall be done.
3. **Scientific selection and training of workers:** Taylor suggested the need of scientific selection of workers for the plant/production activities. The procedure of selection must be systematic so as to select the best and the most suitable persons for different types of jobs. Correct placement of workers is equally important. He also suggested the need of training of workers so as to raise their ability or efficiency. Training is to be integrated with the promotion policy. He also suggested differential piece wage plan for compensation payment to workers. He also suggested the importance of cordial relations between management and workers.
4. **Standardization:** Taylor suggested the importance of standardization of tools and equipment, materials, conditions of work and speed of machines. This brings co-ordination in different activities and all workers will be able to perform the task assigned easily. The workers will have satisfactory working conditions for work due to such standardization.
5. **Specialization:** Taylor suggested specialization in the administrative and organizational setup of the plant. He suggested functional foremanship. Taylor recommended eight functional foremen for different activities and functions. The foremen suggested by him are like route clerk, instruction card clerk, speed boss etc. Such specialization is useful for raising efficiency of the whole organization.
6. **Mental revolution:** The techniques suggested by F. W. Taylor in his scientific management are different as compared to traditional techniques and methods. Naturally, these techniques can be used only when workers, supervisors and managers accept them in theory and also in practice. For this, mental revolution on their part is essential. The success of scientific management rests basically on the attitude of management and workers. They must give up their old ideas and methods and must accept new scientific methods. For this, mental revolution on the part of both is essential. Cooperation from workers and management for the introduction of scientific management depends on this mental revolution.

Benefits / Advantages of Scientific Management

1. Application and use of scientific methods.
2. Wide scope for specialization and accurate planning.
3. Minimum wastages of materials, time and money.
4. Cordial relations between workers and management.

5. Benefits to workers (higher wages and less burden of work), management (cost reduction, better quality productions) and consumers (superior goods at lower prices)

Scientific management not only developed a rational approach to solving organisational problems but also contributed a great deal to the professionalisation of management. Time and motion studies, scientific selection of workers, work design and one best way to doing a job are some new ideals suggested by Taylor and are responsible for the introduction of Many positive changes in the field of industrial/ production management.

F.W.Taylor's Contribution to the Development of Management Thought / Science

The contribution of F. W. Taylor to management thought is as explained below:

1. Emphasis on rational thinking: Taylor suggested rational thinking on the part of management for raising efficiency and productivity. He wanted managements to replace old methods and techniques by Modern methods which will raise productivity and offer benefits to all concerned parties. He was in favour of progressive, scientific and rational thinking on the part of management on all managerial problems. Such progressive outlook is essential for the introduction of new techniques and methods in the Management.
2. Introduction of better methods and techniques of production: F. W. Taylor suggested the importance of improved methods and techniques of production. Work-study techniques are his contribution to management thought. He suggested new methods after systematic study and research. Taylor recommended the use of new methods for raising overall efficiency and productivity.
3. Emphasis on planning and control of production: Taylor suggested the importance of production planning and control for high production, superior quality production and also for low cost production. He introduced the concept of production management in a systematic way.
4. Importance of personnel and personnel department: Taylor suggested the importance of manpower in management. He was in favour of progressive personnel policies for the creation of efficient and satisfied labour force. He suggested the need of personnel department and its importance. He favored incentive wage payment to workers.
5. Industrial fatigue and rest pauses: Taylor noted the nature of industrial fatigue and suggested the introduction of suitable rest pauses for removing such fatigue of workers. He wanted to reduce the burden of work on workers through the use of scientific methods.

6. Time and motion study: Taylor introduced new concepts like time study, motion study and work study in the field of industrial management such concepts are for the introduction of new methods which will be more quick, scientific and less troublesome to workers.

The positive view of scientific management was described by Taylor as "Science, not rule of thumb; Harmony, not discord; Co-operation, not individualism; maximum output in place of restricted output. The development of each man to his greatest efficiency and prosperity".

F.W. Taylor a rightly treated as father of scientific management. In fact, through his concept of scientific management, Taylor actually developed a new science of management which is applicable not only to management of industrial units but also to the management of all other business units. He suggested certain techniques which can be applied purposefully to all aspects of management of business activities. This is treated as Taylor's unique contribution to management thought. The fundamental principles suggested by F. W. Taylor in his scientific management can be treated as his contribution to management thought. In fact, Taylor suggested scientific attitude and a new philosophy for discarding old and outdated ideas and techniques. He was instrumental for the introduction of new ideas and techniques in the science of management. These ideas and techniques are now accepted in theory as well as in practice.

Criticism of Scientific Management or Opposition to Scientific Management

Scientific management has wider economic and social significance. It has succeeded in revolutionising the very concept of management by offering a novel approach to the managers in managing men, materials and methods. In spite of several benefits, Taylor's scientific management concept has widely been criticized by employers, workers, trade unions and also by theorists. They oppose Taylor's scientific management on different grounds. The points of criticism we as explained below:

Criticism from Employers

1. Huge investment required: Heavy investment is necessary for reorganization of preliminary standardization of tools, machines and equipment and conduct of time and motion studies and other research activities for the introduction of scientific management. Such investment may not be possible in small and medium size enterprises.
2. Sudden change may disturb existing working arrangements: Sudden change due to the introduction of scientific management may paralyze the existing arrangement of work and will bring the entire Organisation in difficulties.

There will be loss due to reorganization, if scientific management is to be introduced.

3. Unsuitable to small units: Small manufacturers argue that the concept of scientific management is not suitable to their units due to financial and other difficulties.
4. Benefits after a long period: The benefit of scientific management will be available only after a long period and the business unit may come in financial and other difficulties during the process of introduction of new changes as suggested in the scientific management.
5. Huge overhead expenses required: Introduction of scientific management involves huge overhead expenses which may erode profitability.

Criticism from Workers and Trade Unions: Why did Trade Unions Oppose Scientific Management?

1. Heavy burden on workers: Workers feel that they will have to share more burden of work as a result of introduction of scientific management. They also fear that the benefits will be shared by the employer alone and that they will be at a loss from all sides. Workers and their unions feel that it will lead to their exploitation and they oppose scientific management on this ground.
2. Reduces initiative among workers: Workers and trade unions argue that scientific management will destroy their initiative and they will be converted into machines in the production process with no freedom, initiative and choice. Similarity, over-specialization (excessive specialization) will lead to monotony and mental fatigue. Hence, they oppose Taylor's scientific management.
3. Possibility of unemployment: Workers and their unions also feel that scientific management will lead to unemployment and that workers will be removed due to the use of labour-saving devices. This will lead to loss of employment and income to workers. This is likely to make trade unions weak and hence they oppose scientific management.
4. Exploitation of workers: Workers argue that they will be exploited under scientific management as they will have to share more burden of work without corresponding increase in the wage rate. Trade unions also oppose to scientific management as it is likely to put more burden of work on the workers without corresponding monetary benefit.
5. Possible adverse effects on workers unity: Trade unions also oppose scientific management as they fear that the unity among workers will be adversely affected. Workers will be divided into efficient and inefficient categories. In addition, different piece rate plans will be introduced in place of uniform wage rate. As a result, workers will be divided. Workers getting high salary will not be interested in the union activities and this will make their

union week and ineffective. Even more unions and rival unions will be formed. In brief, trade unions strongly criticize scientific management as it breaks solidarity of workers

The criticism of scientific management by employers and workers/trade unions is not based on sound reasoning. Their arguments are not based on realities. It is possible to give counter-arguments to every point of criticism noted by them. For example, employers object scientific management on the ground of huge investment for its introduction. It is true that huge investment will be necessary but it is likely to give greater return in due course. In addition, scientific management will bring down the cost and thereby enhance the profits.

1.12.4 Contribution of Henry Fayol to Management Thought

Henry Fayol (1841-1925) is rightly treated as the father of modern theory of general and industrial management. The credit of suggesting the basic principles of management in an orderly manner goes to Henry Fayol. After obtaining an engineering degree, Henry Fayol, joined as chief executive in a coal mining company. He developed his management principles and general management theory and published them in the form of a book (in French) "General and Industrial Administration" in 1916. It was translated into English in 1930. In due course of time, Henry Fayol came to be recognised as the founder of modern management theory. His analysis of management process acts as the foundation of the whole management theory and the present super-structure of management has been built on it.

Henry Fayol suggested important qualities of managers and stressed the need for raising such qualities. He developed fourteen principles of management out of his practical experience. These principles are universal in character and are applicable to all types of organisations. Each principle suggested by him has specific meaning and significance. According to him, managers in all organisations need to follow these principles/guidelines while managing the affairs of their business units. The management principles suggested by him in 1916 are universally accepted by modern authorities on management and are treated as valid even to this day. This is because these principles are practical in nature and also result-oriented. In fact, these principles are the outcome of his long experience as a practicing manager. These basic principals are useful for effective management of business activities. They are related to the basic components of management process such as planning, organizing, staffing, leading, coordinating and controlling. He incorporated these principles in the management theory suggested by him. The principles of management suggested by him are useful not only in business/industrial enterprises but also in other organisations such as colleges, hospitals, charitable institutions and government departments. Due to his contribution to management theory and principles,

Henry Fayol is rightly treated as the Father of Modern Management Thought. Fayol is the first management thinker who provided the conceptual framework of the functions of management in his book "General and Industrial Management.

The functions of management according to Fayol are,

1. Planning
2. Organising
3. Staffing
4. Commanding
5. Coordinating
6. Controlling

The fourteen principles of management suggested by him are related these basic functions of management process and are universally accepted. Fayol has given adequate details of every principle suggested by him. He also made them easily acceptable by others. According to Henry Fayol, managers should be flexible in the application of these principles.

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Fayol divided general and industrial management into following six groups:-

- a. Technical activities (production, manufacture, adaptation).
- b. Commercial activities (buying, selling and exchange).
- c. Financial activities (search for and optimum use of capital).
- d. Security activities (protection of property and persons).
- e. Accounting activities (stock taking, balance sheet, cost, and statistics).
- f. Managerial activities (planning, organising, command, coordination and control).

Henry Fayol also suggested 14 principles of management. These principles are:-

1. Division of work,
2. Authority and responsibility,
3. Discipline,
4. Unity of command,
5. Unity of direction,
6. Subordination of personal interest to organizational interests,
7. Remuneration,
8. Centralization,
9. Scalar chain,
10. Order,

11. Equity,
12. Stability of tenure,
13. Span of co-operation and
14. Initiative

Henry Fayol's contribution to management theory is certainly remarkable. He gave overall concepts of general management and suggested the basic functions of management. He recommended the selection and training of workers and managers. He also advocated the use of organisation charts. He suggested certain qualities of manager's which include physical, mental, moral, educational technical and experience. Fayol's theory of management was the first complete theory of management as we understand today. It incorporated proven principles, elements, procedures and techniques based on his practical experience.

1.12.5 Contribution of Elton Mayo to the Development of Management Thought

Elton Mayo (1880-1949) is recommended as the Father of Human Relations School. He introduced human relations approach to management thought. His contribution to the development of management thought is unique and is also treated as human relations approach to management. It was Mayo who led the team for conducting the study at Western Electric's Hawthorne Plant (1927-1932) to evaluate the attributes and psychological reactions of workers in on-the-job situations. His associates included John Dewery, Kurt Lewin and others. Mayo and his associates came to the following conclusions from their famous Hawthorne experiments:

1. The amount of work to be done by a worker is not determined by his physical capacity but by the social norms.
2. Non-economic rewards play a significant role in influencing the behavior of the workers.
3. Generally the workers do not react as individuals, but as members of group.
4. Informal leaders play an important part in setting and enforcing the group norms.

Mayo discussed the factors that cause a change in human behavior. He concluded that the cause of increase in the productivity of the workers is not a single factor like rest pauses or changing working hours but a combination these and several other factors such as less restrictive supervision, giving autonomy to workers, allowing the formation of small cohesive groups of workers and so on. Today, as a result of the efforts of Mayo and his associates, the managers in different organisations recognize that workers' performance is related to psychological, sociological and physical factors. Thus, Hawthorne

Study was an important landmark to study the behavior of worker and his relationship to the job, his fellow workers and the organisation. It proved that informal work groups and the opportunity to be heard and participate in decision-making have an important impact on the productivity of the workers.

Mayo is one leading management thinker and also a leading advocate of neo-classical theory. The concept of participative management style was suggested in the neo-classical theory. The human relations approach suggested by Mayo has special importance in the present period. He rightly suggested the importance of democratic leadership and participative management style for running business activities efficiently. The role of people (workers) is clearly suggested by Mayo. He rightly suggested that management is not a mechanical process but a study of people involved in the production activities. Management will get positive response from its employees when their actions, sentiments and expectations are given due attention.

Mayo is best known for his work on the project commonly referred to as the Hawthorne Studies. They were conducted in the Hawthorne plant of Western Electric Company in the USA between 1927 and 1932. It is said that Mayo applied psychological approach to management for the first time. He used clinical and diagnostic methods. Mayo has drawn various conclusions from these studies. The Hawthorne Studies have had a shattering impact on management thinking. Mayo is regarded as revolutionary thinker because of his contribution to the management thought in the recent period. The credit of humanization of management with a view to achieve common interest of management and workers goes to Elton Mayo.

Some of the major findings of Hawthorne Studies we as noted below:

1. Employee's behavior is influenced by mental attitudes and emotions including prejudices.
2. The workers in a group develop a common psychological bond uniting them as a group in the form of informal organisation.
3. In managing and motivating employee groups, human and social motivation plays greater role than financial incentives.
4. Management must understand that a typical group behavior can dominate or even supersede individual propensities and preferences.
5. When workers are given special attention by management, the productivity is likely to increase irrespective of actual changes in the working conditions.

Hawthorne Studies are primarily responsible for consideration of non financial incentives in improving productivity. Mayo pointed out that the organization is a social system and informal organisation is a reality. The knowledge of human nature can solve many problems of management. He emphasized that successful human relations approach can easily create

harmony in an organisation, higher employee satisfaction and great operational efficiency. Central to this approach was an increased understanding of the individual worker with emphasis on motivation, needs, interpersonal relationships and group dynamics. Mayo believed that a factory is not only a workplace but also a social environment in which the employees interact with each other. This gave rise to the concept of the 'social man' whose interaction with others would determine the quality and quantity of the work produced.

Mayo developed his Human Relations Theory of Management on his Hawthorne experiments. He introduced human relations approach to management and is rightly considered as one of the pioneers of the Human Relations Theory of Management.

Features of Human Relations Approach

1. A business organisation is not merely a techno-economic system but also a social system and involves human element.
2. An individual employee is motivated not merely by economic incentives but also by non economic incentives, psychological and social interests, needs and aspirations.
3. The informal groups in the organisation are more important than individuals and play an important role in raising productivity.
4. In place of task-centered leadership, the employee-centered, humanistic, democratic and participative style of leadership should be introduced as it is more effective / productive.
5. Employees are not necessarily inefficient or negative in their approach. They are capable of self-direction and control.
6. Employee's performance can be raised by meeting their social and psychological needs. Cordial atmosphere at work place is also useful for raising productivity.
7. Management needs social skills along with technical skills in order to create a feeling (among the employees) that they are a part and parcel of the organisation and not outsiders.
8. Employees need respect and positive feeling from the management. For this, employees should be encouraged to participate and communicate freely their views and suggestions in the concerned areas of decision-making.
9. The management has to secure willing cooperation of employees. The objective before the management should be to secure cooperative effort of its employees. For this, employees should be made happy and satisfied.

The features of human relations school (noted above) are important as they were introduced in the management theory for the first time. At present, these features are well recognised but were unique when suggested by 1930.

Human relations approach is a progressive development as compared to classical approach. Here, productivity is not treated merely as an engineering problem. Cooperation of employees, team spirit and their satisfaction are treated as factors useful for raising productivity. The human relations approach has put special stress on social needs and the role of management in meeting such needs.

Limitations of Human Relations Approach

1. Too much importance to employees, and social needs: Human relations approach to management has given too much importance to employees, their needs and satisfaction. It has given undue stress on the social side of management as compared to technical side. It is another extreme as compared to classical theory where employees were neglected considerably. Human relations approach has also neglected many other aspects such as organizational issues, environment at the work place, labour unions, structure of the organisation and so on.
2. Employee-oriented approach to a limited extent: It is argued that human relations approach is apparently employee-oriented but in reality it is organisation-oriented. Many measures are suggested for the happiness and satisfaction of employees. Measures are suggested to satisfy employees in order to achieve organizational objectives and not for meeting the real needs of workers. Their participation in management or upward communication with the management, etc. is outwardly employee-oriented and gives them a false sense of happiness. In brief, the human relations approach is employee-oriented but only to a limited extent.
3. Faulty assumption in the theory: The human relations approach is based on a wrong assumption that satisfied workers are more productive. After 1950s, it was proved that productivity improvement, as a result of better working conditions and the human relations skills of manager's did not result in productivity improvement as expected. Thus, workers satisfaction is one but not the only factor which raises industrial productivity.
4. Limited importance to economic incentives: The human relations approach has given limited importance to economic incentives in motivating employees. They prefer informal groups and cordial relations among them. However, their interest and loyalty to the organisation largely depends on monetary incentives. Low wages lead to Labour turnover even when the good treatment is given to employees.

The human relations movement is based on the experiments conducted in the Hawthorne Plant in Cicero (USA). The major conclusion (of Hawthorne Experiments) was that the workers respond to their work situation as a whole and their attitudes and social relations constitute an important part of the total situation. In addition, the attitudes of workers and their relations with each other and with the management would play a role in forming their attitudes towards the total work situation. Elton Mayo conducted a series of pioneering studies at the Hawthorne plant they proved to be of much use in associating employees with the management for achieving organizational objectives.

It is rightly pointed out that F. W. Taylor in his contribution to management thought suggested rationalizing work for greater labour productivity while Elton Mayo recommended/ advocated humanism work for enhanced efficiency and personal satisfaction. The basic purposes of both the approaches are identical. However; the approaches of Taylor and Mayo are different. Taylor's approach was purely engineering while may referred to social needs of employees and their satisfaction. Taylor's approach to scientific management lacks human elements in the production process. He treated employee as a cog in the wheel emphasizing on efficiency at all costs as if there is no difference between workers and machines. Mayo applied psychological approach to management. He recommended humanization of management for better results in terms of production and productivity. He rightly suggested that workers are human beings and not machines. They should be treated with dignity and honour while on job. Both the approaches (of Taylor and Mayo) are supplementary in the present management thought. At present, stress is on scientific management principles as well as on human approach to management. Efforts are being made to create favorable organisation climate for achieving organizational goals. Taylor's approach is comparatively old and was popular in the early decades of 19th century the human relations approach (suggested by Elton Mayo) is comparatively new and got popularity by 1930s.

1.12.6 Systems Approach to Management Thought

Contributions to management thought/theory after 1960s are covered by modern management theories. Modern theories are based on classical and neo-classical theories but consider the management problems as they developed in the recent years. There are three streams under modern management theory. These are:-

- a. Quantitative / Mathematical Approach to Management,
- b. Systems Approach to Management, and
- c. Contingency Approach to Management.

Systems Management School

A system is an organised entity i.e. a company or a business enterprise made up of parts connected and directed to some purpose. Each system has an input, a process and an output. It acts as a self sufficient unit. Every system is interlinked with its subsystems. Any organisation is looked upon as an artificial system, the internal parts of which work together to achieve established goals and the external parts to achieve interplay with the environment including customers, the general public, suppliers and government. The manager integrates available facilities to achieve a goal by means of systems that relate activities required for the end result. The system serves as the media through which the manager operates. An integrated system can be used purposefully for the conduct of production, marketing, distribution and other activities relating to business in an orderly manner. A manager can conduct various activities in an orderly manner with the help of the systems established. A system is a set of interrelated and interdependent parts arranged in a manner that produces a unified whole. Almost anything can be viewed as a system.

As per systems management school, an organisation is looked upon as an artificial system. Its internal parts work together to achieve established goals and the external parts to achieve interplay with the environment including customers, the general public, suppliers and government. The manager integrates available facilities to achieve a goal by means of systems that relate activities required for the end result. In this way, the systems management school helps in achieving the established goals of the organisation.

It is possible to establish such systems management organisation in a business enterprise. For this authorities, departments, etc. will be created. The work will be properly distributed and various departments (sub-systems) will operate as per the work assigned under the project. The computer can be used extensively for the execution of systems management Data processing work will become easy and quick. Systems management enables a manager to work more efficiently because of easy availability of information in different aspects of business.

Features of Systems Approach to Management

1. Open or Closed Systems: Systems may be either open or closed. An open system is one that is dependent on the outside environment for survival e.g., human body as a system is composed of many subsystems. This is an open system and it must depend on outside input and energy for survival. A system is considered closed if it does not interact with the environment. Physical and mechanical Systems are closed system because they are insulated from their external environment. Traditional organisation theorists regarded organisations as closed systems while according to the modern

- view organizations are open systems, always interacting with the environment.
2. Interdependent parts: A system is a set of interdependent parts which together form a unitary whole that perform some function. An organisation is also a system which consists of four interdependent parts viz., task, structure, people and technology.
 3. Consideration of whole system: No part of the system can be precisely analyzed and understood apart from the whole system. Conversely, the whole system cannot be exactly evaluated without understanding all its parts. Each part is related to every other part. It means rather than dealing separately with the various parts of one organisation, the systems approach attempts to give the manager a way of looking at the organisation as a whole. For example, in order to understand the operations of the finance or production or marketing departments, he must understand the company as a whole. It is because activity of any one part of the company affects the activity of every other part.
 4. Information, energy and material: Generally, there are three basic inputs that enter the processor of the system viz., information (technology), energy (motive power) and materials to be transformed into goods. If the output is service, materials are not included in the inputs. If we have manufacturing company, output is goods or materials. If we have a consultancy firm, output is information or advice. If we have a power generating company, output is energy.
 5. Defined boundaries: Each system including an organisation has its own boundaries which separate it from other system in the environment. For open systems the boundaries are penetrable whereas for closed systems, they are not. The boundaries for closed systems are rigid. In a business organisation, it has many boundary contacts or 'interfaces' with many external system like creditors, suppliers, customers, government agencies etc. The system is inside the boundary, the environment is outside the boundary'.
 6. Synergy: Output of a system is always more than the combined output of its parts. This is called 'synergy'. In organizational terms, synergy means when separate departments within an organisation cooperate and interact, they become more productive than if they had acted in isolation e.g., it is certainly more efficient for each department to deal with one secretarial department than for each department to have a separate secretarial department of its own.
 7. Feedback mechanism: A system can adopt and adjust itself to the changing environment through the feedback mechanism. As operations of the system

proceed information in feedback to the appropriate people. This helps to assess the work and if need be, to get it corrected.

8. Multidisciplinary approach: 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, sociology, ecology, economics, mathematics, statistics, operations research, systems analysis etc.

Important contributors to systems school of management include Chester Barnard, Ludwig Von Bertalanffy, Russell Ackoff, Kenneth Boulding and William Scott.

From 1960s onwards, the management theorists and practitioners are referring management concepts in a systems phraseology. A system means to bring together or to combine. When viewed from the systems angle, the organisation is seen as operating in an open system constantly interacting with its environment. It receives external inputs in a continuous manner and transforms them into outputs. Suitable adjustments and rectifications are also made as per the feedback available.

An organisation which is not adaptive and responsive to its environment will not survive or grow. An organisation will have individuals, groups, formal structures, goals and resources. A manager has to see that all these parts work in co-ordination in order to achieve organizational goals. Absence of co-ordination will hamper the performance of the organisation. The systems approach suggests that the total performance of the organisation will be effective only when the different systems/units/activities are coordinated and integrated in an efficient manner. For example, efficient manufacturing division needs the support of efficient marketing division for achieving organizational objectives. If not, the total performance of the organisation will be jeopardized. The managers, as decision-making entities, have to regulate the sub-systems of the Organisation. They should not work in isolation but operate in co-ordination with others.

This will avoid shortfalls in different components and bring success to the organisation. The emphasis of systems approach is on interrelatedness of the parts of an organisation. The introduction of integrated approach is treated as major contribution of systems theory.

The systems approach developed only after 1950 and is the recent contribution to management thought. It stresses the interrelatedness and interdependence of all activities within an organization. The systems theory considers organisation as an open, adaptive system which has to adjust changes in its environment. It defines organisation as a structured process in which individuals interact for attaining objectives.

Merits of Systems Approach

Systems approach to management is comparatively new to the management thought. This approach represents a refreshingly new thinking on organisation and management. It stresses that managers should avoid analyzing problems in isolation but should develop the skills for integrated thinking on management problems. The systems approach provides a unified focus to organizational efforts. It provides a strong conceptual framework for meaningful analysis and understanding of organisations. Systems approach provides clues to the complex behavior of organisation.

The systems theory suggests to practicing manager to study/analyze a particular element by taking into consideration its interacting consequences with other elements. A variety of systems concepts and perspectives have been developed for managers.

The systems approach rightly points out the role of 'synergy' in management. Each subsystem derives strength by its association and interaction with other sub-systems. As a result, the overall outcome is more than the sum total of individual contributions. The other contribution of systems theory is its treatment of organisation as an open system. The Organisation exhibits a 'holistic' character.

Limitations of Systems Approach

1. The systems approach is criticized on the ground that it is too abstract and vague. It is difficult to apply it to practical problems directly and easily.
2. The systems theory/approach fails to provide specific tools and techniques for the practicing executives/managers.
3. The systems approach does not recognize differences in systems. It fails to clearly identify the nature of interactions and interdependencies between an Organisation and its external environment it also fails to offer a unified body of knowledge.

1.12.7 Contingency Management School / Contingency Approach to Management / Situational Approach

A common deficiency of the classical, behavioral and quantitative schools is that they have stress one aspect of the organisation at the cost of others. The classical approach emphasizes on 'task' while behavioral approach emphasizes on 'people'. The stress of quantitative approach is on 'mathematical decision-making'. However, it is difficult to understand precisely which aspect is most useful and appropriate in a given practical situation. This brings the need to develop a broad conceptual framework that can help a manager diagnose a problem and decide which tool or tools will best do the job. The systems approach as well as contingency approach provide one integrated approach to

management problems. The contingency/situational approach is the second approach (the first being the systems approach) which attempts to integrate the various schools of management thought in an orderly manner. The contingency management approach is similar to known leadership theory called situational leadership theory. The contingency approach is applicable to leadership as well as to business management. This situational management approach is relatively a new approach to management and is an extension of systems approach. The basic theme of contingency approach is that organisations have to deal with different situations in different ways. There is no single best way of managing applicable to all situations. In order to be effective, the internal functioning of the organisation must be consistent with the needs and demands of the external environment. In other words internal organisation should have the capacity to face any type of external situation with confidence.

Features of the Contingency / Situational Approach

1. Management is entirely situational. The management has to use the measures/techniques as per the situation from time to time.
2. Management should match its approach as per the requirements of the situation. The policies and practices used should be suitable to environmental changes.
3. The success of management depends on its ability to cope up with its environment. Naturally, it has to make special efforts to anticipate and comprehend the possible environmental changes. Managers should realize that there is no one best way to manage. They have to use management techniques as per the situation which they face.

According to contingency approach, management principles and concepts of different schools have no universal/general applicability under all situations. This means these schools have not suggested one best method of doing things under all situations and at all times. The contingency approach has provided a solution to this situation.

As per the contingency approach, the task of managers is to try to identify which technique or method will be most suitable for achieving the management objectives under the available situation. Managers have to develop a sort of situational sensitivity and practical selectivity in order to deal with their managerial problems as they develop from time to time.

Contingency approach views are applicable in designing organizational structure and in deciding the degree of decentralization in establishing communication and control systems and also in deciding motivational and leadership approaches. In brief, the contingency approach is applicable to different areas of organisation and management it is an attempt to integrate various viewpoints and to synthesize various fragmented approaches to

management. The contingency approach is the outcome of the research studies conducted by Tom Burns and G. W. Stalker, James Thompson and others.

Merits of Contingency Approach

1. Contingency approach is pragmatic and open minded It discounts preconceived notions, and universal validity of principles.
 2. Theory relieves managers from dogmas and set principles. It provides freedom/choice to manage to judge the external environment and use the most suitable management techniques. Here, importance is given to the judgment of the situation and not the use of specific principles.
 3. The contingency approach has a wide-ranging applicability and practical utility in, organisation and management. It advocates comparative analysis of organisations to bring suitable adjustment between organisation structure and situational peculiarities.
 4. The contingency approach focuses attention on situational factors that affect the management strategy. The theory combines the mechanistic and humanistic approaches to fit particular/specific situation. It is superior to systems theory as it not only examines the relationships between sub-systems of an organisation but also the relationship between the organisation and its external environment.
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Limitations of Contingency Approach

1. It is argued that the contingency approach lacks a theoretical base.
2. Under contingency approach, a manager is supposed to think through all possible alternatives as he has no dried principles to act upon. This brings the need of more qualities and skills on the part of managers. The responsibility of a manager increases as he has to analyze the situation, examine the validity of different principles and techniques to the situation at hand, make right choice by matching the technique to the situation and finally execute his choice. The areas of operation of a manager are quite extensive under this theory.

Contingency approach/theory is the latest addition to existing management theories. It was observed that different theories developed earlier are not applicable to all real world situations developed since 1970. An open and adaptable systems approach (also called contingency approach) is more convenient to deal with complex management problems. Contingency/ situational approach appears to be better suited to lead management out of the present management theory jungle.

Contingency theories do not give special importance to any specific theory. It suggests that there is no one best way to management. In the Contingency approach, what is best for a particular business unit or organisation

or under the available situation is given special attention. Each situation (before the management) is different and calls for a Contingency / situational approach. A manager has to study the complexity under each situation. He has to adjust his policies/decisions as per his awareness. He has to decide what is best under the available total situation and act accordingly. He (manager) has to identify the technique which will be most effective for achieving organisation objectives under particular situation/ circumstances and act accordingly. This is the practical aspect of contingency approach. What constitutes best/effective management varies with the organisations internal and external environment and the make-up of the organizational sub-systems. The best management pattern depends on a number of interrelated internal and external variable factors around the specific organisation/business unit. The contingency approach falls somewhere in between the classical theory and systems theory. It provides a synthesis that brings together the best of aft segments of what Koontz has termed "management theory jungle". Contingency approach is practical progressive and action oriented. It considers each organisation as unique and gives special attention to situation around it. Finally, it integrates theory with practice in a systems framework. The other theories (classical or systems) are not rejected in the, contingency approach. However, they are viewed as incomplete, vague and unsuitable to all organisations and situations.

1.13 SUMMARY

Management in all business areas and organisational activities are the acts of getting people together to accomplish desired goals and objectives efficiently and effectively. Management comprises planning, organising, staffing, leading or directing, and controlling an organisation (a group of one or more people or entities) or effort for the purpose of accomplishing a goal. Resourcing encompasses the deployment and manipulation of human resources, financial resources, technological resources and natural resources.

1.14 GLOSSARY

- Management: The ability of getting work done from people.
- Administration: The performance or management of business operations
- Organisation: The planned coordination of the activities of a number of people for the achievement of some common, explicit purpose or goal.
- Esprit de Corps: A term which emphasis "Union is Strength".
- Planning: It is the process of deciding in advance what is to be done, when and where it is to be done, how it is to be done and by whom.
- Staffing: The process by which organizations meet their human resource needs, including forecasting future requirements, recruiting and selecting candidates and orienting new employees

- Innovations: The managed effort of an organization to develop new products or services or new uses for existing products or services.
- Leadership: Influencing others to act towards the attainment of a goal.
- Controlling: It is concerned with monitoring employees' activities, keeping the organization on track towards its goals, and making corrections as required.
- Coordination: Orderly arrangement of group efforts to provide unity of action in the pursuit of a common purpose.
- Directing: It deals with the steps a manager takes (guiding, supervising, motivating, etc) to get subordinates and others to carry out plans

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1.16 QUESTION BANK

1. Discuss the functions and nature of management.
2. Explain the nature of management process. Why management process is called social and consequential process?
3. What is management? Explain the characteristics of management.
4. Explain the importance of management in the present day business world.
5. Describe the major factors that have influenced the evolution of management thought.
6. Identify the five major perspectives of management thought.
7. Describe the central focus of the scientific management, administrative management, and bureaucratic management sub-fields of the classical perspective on management.
8. Describe the major behavioral perspective contributions of Follett, Mayo, McGregor, and Barnard.
9. Discuss the four basic characteristics of the quantitative perspective of management.
10. Describe the various building blocks of a systems perspective and indicate how they interconnect and interact.
11. What is the main contention of the contingency perspective of management?

UNIT 2: NATURE, DEFINITION, CHARACTERISTICS AND IMPORTANCE OF MANAGEMENT

STRUCTURE

- 2.0 Objective
- 2.1 Introduction
- 2.2 Meaning of Management
- 2.3 Definitions of Management
- 2.4 Nature or Characteristics of Management
- 2.5 Summary
- 2.6 Self-Assessment Questions
- 2.7 Further Readings

2.0 OBJECTIVES

The following objectives are reviewed:-

- To understand the Conceptual Framework of Management.
- To understand the nature of the Management
- To understand the characteristics of Management

2.1 INTRODUCTION

It is the management which plans, organizes, coordinates and controls the affairs of an organization. Every organization 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.

2.2 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.

2.3 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 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) Judgement 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."

-Herald 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 - 2.1

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

Ans.
.....

2.4 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.

2.5 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.

2.6 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.

2.7 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)
4. Peter F Drucker : Frontiers of Management (Heinemann London)
5. Peter F Drucker : Managing for future (Tata Mcgraw Hill)

UNIT3: DIFFERENT SCHOOLS OF MANAGEMENT: ADMINISTRATIVE, SCIENTIFIC, BEHAVIOURAL, OPEN SYSTEMS, CONTINGENCY, SYSTEMS, 'THEORY Z', MC KINSEY'S SEVEN 'S'

STRUCTURE

- 3.0 Objective
- 3.1 Introduction
- 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 Mgt. 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 OBJECTIVES

The following objectives are reviewed 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.

3.1 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.

3.2 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.

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: There experiments were carried on between November 1931 and May 1932 with a view to analyses 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.

(a) 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.

(A) 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 revolutionalised 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 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 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 others factors that exist when persons work together. It represented only mechanistic structure. Modern definition also incorporates 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 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 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.

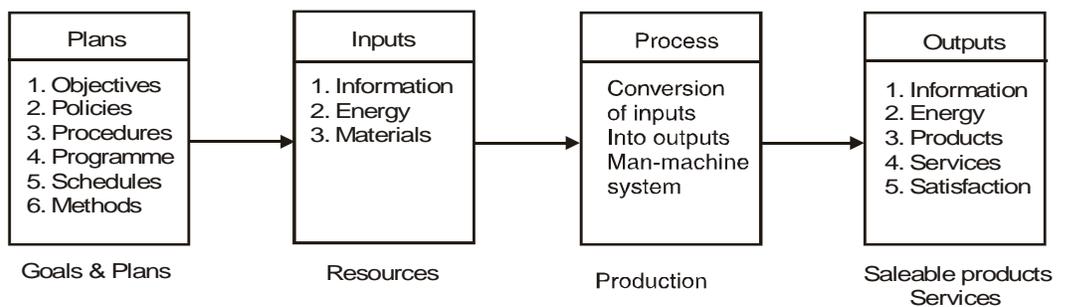


Fig. 3.1 The Design of a Basic System

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

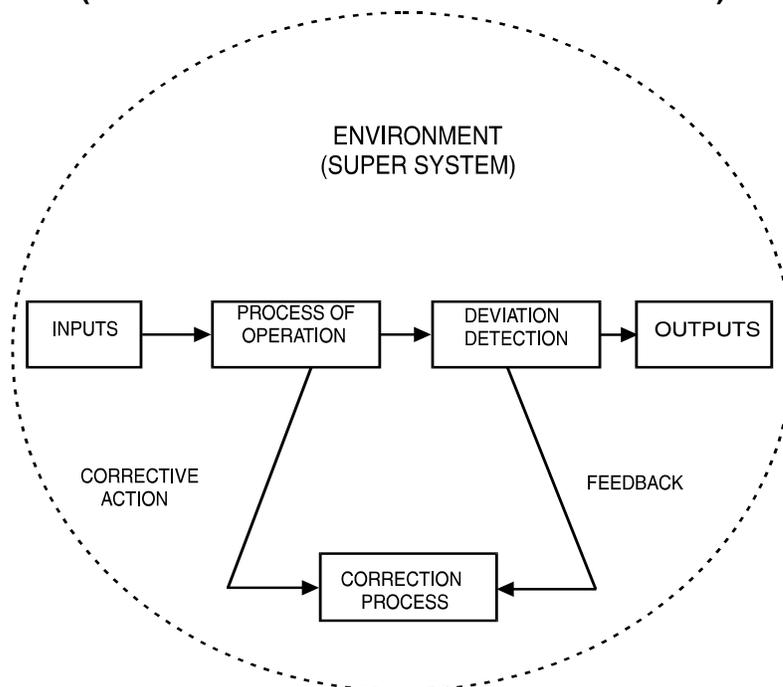
included in the inputs. (3) If we have manufacturing company, output is goods or materials. If we have a consulting firm, output is information or advice. If we have a power generating company, output is energy. (4) The feature which define and delineate a system forms its boundary. The system is inside 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)*

Notes: (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— a 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 ineract 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 in 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 environment 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 homoeostatic, a kind of equilibrium. Homoeostatic is a process through which a system regulates itself around a stable state. For example, human body works on the principle of homoeostatic. 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 have 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 an 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 especially 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, and 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	Views on organisation as: 1. Open, adaptive system in a broader environment.
Weber Bureaucratic Model (Authority and Structure)	Maslow, MacGregor, etc.; 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 Man- agement Principles).		6. A managerial system. (socio-economic and technological system)
1900-1930	1930-1960	1960-onwards

Two broad modifications 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 downward more dominant.	6. Multidirectional and free communication, 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 judgments.

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 : Principes 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)
- 6. J.S. Chandan : Management theory and Practice (Vikas Publishing House Pvt Ltd.)

UNIT 4: SKILLS AND ROLES OF MANAGEMENT PROFESSIONALS

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
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- 4.4 Roles Performed By A Professional Manager
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- 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
 - 4.5.9 Responsibility towards the Customers
 - 4.5.8 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 practise 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 practise medicine, managers practise 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, and 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 time's 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 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 minimize 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:

CATEGORY	ROLE
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 an 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 improve 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 an 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. These 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.
- **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

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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 – MEANING, CONCEPT AND IMPORTANCE; PROCESS, TYPES OF PLANNING

STRUCTURE

- 5.1 Introduction
- 5.2 Objectives
- 5.3 Characteristics of Planning
- 5.4 Planning Process
- 5.5 Types of Planning
 - 5.5.1 Objectives
 - 5.5.2 Policies
 - 5.5.3 Procedures
 - 5.5.4 Rules
 - 5.5.5 Strategy
 - 5.5.6 Programmes
 - 5.5.7 Projects
 - 5.5.8 Budgets
 - 5.5.10 Forecasts
 - 5.5.9 Schedules
- 5.6 Advantages of Planning
- 5.7 Disadvantages of Planning
- 5.8 Importance of Planning
- 5.9 Summary
- 5.11 References/Suggested Readings
- 5.12 Question Bank

5.1 INTRODUCTION

Planning means looking ahead and chalking out future course of action to be followed. It is a preparatory step. It is a systematic activity which determines when, how and who is going to perform a specific job. Planning is a detailed programme regarding future courses of action. It is rightly said “Well plan is half done”. Therefore planning takes into consideration available & prospective human and physical resources of the organization so as to get effective co-ordination, contribution & perfect adjustment. It is the basic management function which includes formulation of one or more detailed plans to achieve optimum balance of needs or demands with the available resources.

According to Urwick, “Planning is a mental predisposition to do things in orderly way, to think before acting and to act in the light of facts rather than guesses”. Planning is deciding best alternative among others to perform different managerial functions in order to achieve predetermined goals.

According to Koontz & O'Donell, "Planning is deciding in advance what to do, how to do and who is to do it. Planning bridges the gap between where we are to, where we want to go. It makes possible things to occur which would not otherwise occur".

5.2 OBJECTIVES

- To understand the meaning and concept of Planning.
- To develop familiarity with various characteristic of Planning
- To understand the process of Planning.
- To develop familiarity with various types of Planning.
- To know what exactly are the advantages and disadvantages of Planning.
- To understand the importance of Planning.

5.3 CHARACTERISTICS OF PLANNING

- 1) **Planning is goal-oriented.**
 - a. Planning is made to achieve desired objective of business.
 - b. The goals established should general acceptance otherwise individual efforts & energies will go misguided and misdirected.
 - c. Planning identifies the action that would lead to desired goals quickly & economically.
 - d. It provides sense of direction to various activities. E.g. Maruti Udyog is trying to capture once again Indian Car Market by launching diesel models.
- 2) **Planning is looking ahead.**
 - a. Planning is done for future.
 - b. It requires peeping in future, analyzing it and predicting it.
 - c. Thus planning is based on forecasting.
 - d. A plan is a synthesis of forecast.
 - e. It is a mental predisposition for things to happen in future.
- 3) **Planning is an intellectual process.**
 - a. Planning is a mental exercise involving creative thinking, sound judgement and imagination.
 - b. It is not a mere guesswork but a rotational thinking.
 - c. A manager can prepare sound plans only if he has sound judgement, foresight and imagination.
 - d. Planning is always based on goals, facts and considered estimates.
- 4) **Planning involves choice & decision making.**
 - a. Planning essentially involves choice among various alternatives.
 - b. Therefore, if there is only one possible course of action, there is no need planning because there is no choice.
 - c. Thus, decision making is an integral part of planning.

- d. A manager is surrounded by no. of alternatives. He has to pick the best depending upon requirements & resources of the enterprises.
- 5) **Planning is the primary function of management / Primacy of Planning.**
- Planning lays foundation for other functions of management.
 - It serves as a guide for organizing, staffing, directing and controlling.
 - All the functions of management are performed within the framework of plans laid out.
 - Therefore planning is the basic or fundamental function of management.
- 6) **Planning is a Continuous Process.**
- Planning is a never ending function due to the dynamic business environment.
 - Plans are also prepared for specific period of time and at the end of that period, plans are subjected to revaluation and review in the light of new requirements and changing conditions.
 - Planning never comes into end till the enterprise exists issues, problems may keep cropping up and they have to be tackled by planning effectively.
- 7) **Planning is all Pervasive.**
- It is required at all levels of management and in all departments of enterprise.
 - Of course, the scope of planning may differ from one level to another.
 - The top level may be more concerned about planning the organization as a whole whereas the middle level may be more specific in departmental plans and the lower level plans implementation of the same.
- 8) **Planning is designed for efficiency.**
- Planning leads to accomplishment of objectives at the minimum possible cost.
 - It avoids wastage of resources and ensures adequate and optimum utilization of resources.
 - A plan is worthless or useless if it does not value the cost incurred on it.
 - Therefore planning must lead to saving of time, effort and money.
 - Planning leads to proper utilization of men, money, materials, methods and machines.
- 9) **Planning is Flexible.**
- Planning is done for the future.
 - Since future is unpredictable, planning must provide enough room to cope with the changes in customer's demand, competition, govt. policies etc.
 - Under changed circumstances, the original plan of action must be revised and updated to make it more practical.

5.4 PLANNING PROCESS

Planning function of management involves following steps:-

1) Establishment of objectives

- a. Planning requires a systematic approach.
- b. Planning starts with the setting of goals and objectives to be achieved.
- c. Objectives provide a rationale for undertaking various activities as well as indicate direction of efforts.
- d. Moreover objectives focus the attention of managers on the end results to be achieved.
- e. As a matter of fact, objectives provide nucleus to the planning process. Therefore, objectives should be stated in a clear, precise and unambiguous language. Otherwise the activities undertaken are bound to be ineffective.
- f. As far as possible, objectives should be stated in quantitative terms. For example, Number of men working, wages given, units produced, etc. But such an objective cannot be stated in quantitative terms like performance of quality control manager, effectiveness of personnel manager.
- g. Such goals should be specified in qualitative terms.
- h. Hence objectives should be practical, acceptable, workable and achievable.

2) Establishment of Planning Premises

- a. Planning premises are the assumptions about the likely shape of events in future.
- b. They serve as a basis of planning.
- c. Establishment of planning premises is concerned with determining where one tends to deviate from the actual plans and causes of such deviations.
- d. It is to find out what obstacles are there in the way of business during the course of operations.
- e. Establishment of planning premises is concerned to take such step that avoids these obstacles to a great extent.
- f. Planning premises may be internal or external. Internal includes capital investment policy, management labour relations, philosophy of management, etc. Whereas external includes socio- economic, political and economical changes.
- g. Internal premises are controllable whereas external are non- controllable.

3) Choice of alternative course of action

- a. When forecast are available and premises are established, a number of alternative course of actions have to be considered.
- b. The merits, demerits as well as the consequences of each alternative must be examined before the choice is being made.

- c. For this purpose, each and every alternative will be evaluated by weighing its pros and cons in the light of resources available and requirements of the organization.
 - d. After objective and scientific evaluation, the best alternative is chosen.
 - e. The planners should take help of various quantitative techniques to judge the stability of an alternative.
- 4) Formulation of derivative plans**
- a. Derivative plans are the sub plans or secondary plans which help in the achievement of main plan.
 - b. Secondary plans will flow from the basic plan. These are meant to support and expediate the achievement of basic plans.
 - c. These detail plans include policies, procedures, rules, programmes, budgets, schedules, etc. For example, if profit maximization is the main aim of the enterprise, derivative plans will include sales maximization, production maximization, and cost minimization.
 - d. Derivative plans indicate time schedule and sequence of accomplishing various tasks.
- 5) Securing Co-operation**
- a. After the plans have been determined, it is necessary rather advisable to take subordinates or those who have to implement these plans into confidence.
 - b. The purposes behind taking them into confidence are :-
 - Subordinates may feel motivated since they are involved in decision making process.
 - The organization may be able to get valuable suggestions and improvement in formulation as well as implementation of plans.
 - Also the employees will be more interested in the execution of these plans.
- 6) Follow up / Appraisal of plans**
- a. After choosing a particular course of action, it is put into action.
 - b. After the selected plan is implemented, it is important to appraise its effectiveness.
 - c. This is done on the basis of feedback or information received from departments or persons concerned.
 - d. This enables the management to correct deviations or modify the plan.
 - e. This step establishes a link between planning and controlling function.
 - f. The follow up must go side by side the implementation of plans so that in the light of observations made, future plans can be made more realistic.

5.5 TYPES OF PLANNING

Managerial planning comprises various types of plans, which are also known as elements of good planning. Some of the important types of plans may be discussed as follows, which must be included in a sound planning system.

5.5.1 Objectives

Objectives may be defined as the targets people seek to achieve over different time periods. Objectives give direction to human behaviour and effort. Hence, an essential task of management is to formulate, classify and communicate organizational objectives. Managers are required to set both general and specific objectives. Survival, growth and development are general objectives of a business enterprise. The specific objectives include the goals set for various departments, divisions, groups and individuals. The general objectives are long term in nature, whereas the specific objectives are short range, though the short range objectives are and should be a part of long term objectives. Departmental objectives must be consistent with the conductive to the overall, corporate objectives.

5.5.2 Policies

A policy is a general statement that guides thinking, action and decision making of managers for the successful achievement of organizational objectives. Policies define the limits within which decisions are to be made. This ensures consistent and unified performance and exercise of discretion by managers. Top management generally frames the policies. However, a manager at any other level may lay down policies within the limits of his authority and also within boundaries set by policies of his seniors. A policy is not static and may be modified or reviewed in the light of changes in the environment. A policy may be verbal, written or implied. A well defined policy helps the manager to delegate authority without undue fear, because the policy lays down the limits for decisions by the subordinates.

5.5.3 Procedures

A procedure prescribes the sequence of steps that must be completed in order to achieve a specific purpose. A procedure is a guide to action rather than to thinking. It details the exact manner in which a certain activity must be accomplished. Its essence is chronological sequence of required actions or steps. A procedure is generally established for repetitive activity so that same steps are followed each time when that activity is performed. The procedures do not allow much latitude in managerial decision making because they lay down a definite way of doing certain things. Procedures are designed to execute policies and achieve objectives. Procedures are used in all major functional areas.

Purchase procedure, materials issue procedure, customer's order executing procedure, accounting procedure, grievance handling procedure, etc, are some of the examples of usual procedures.

5.5.4 Rules

Like a procedure, a rule is a guide to action. But it does not lay down any sequence of steps as in the case of a procedure. A rule tells us whether a definite action will be taken or will not be taken in case of a given situation. Examples of rules are: (i) Customer's complaint must be replied within one day (under customer satisfaction policy), (ii) No smoking in the factory (under safety policy). Thus, a rule is prescribed course of action or conduct that must be followed. As such, a rule does not leave any scope for discretion on the part of the subordinates. Rules are definite and rigid because there must be no deviation from the stated action, except in very exceptional cases.

5.5.5 Strategy

Strategy is a pattern or plan that involves matching organisation competences (i.e. internal resources and skills) with the opportunities and risks created by environmental change, in ways that will be both effective and efficient over the time such resources will be deployed. Effective formal strategies contain three elements: (i) the most important goals, (ii) the most significant policies, (iii) the major programmes. Strategy deals with unpredictable and unknowable. It is developed around a few key concepts and thrusts. A well-formulated strategy helps to marshal and allocate an organisation's resources into a unique and viable posture in relation to the strengths and weaknesses of the organisation, the anticipated changes in the environment and the contingent moves of the opponents. Generally when we talk of organizational strategy, it refers to an organisation's top level strategy. However, strategies exist at other levels also.

5.5.6 Programmes

A programme lays down the principal steps for accomplishing a mission and sets an approximate time for carrying out each step. George Terry says, A programme can be defined as a comprehensive plan that includes future use of different resources in an integrated pattern and establishes a sequence of required actions and time schedules for each in order to achieve stated objectives. Programmes outline the actions to be taken by whom and where. A programme is made up of objectives, policies, procedures, task assignment, budgets, schedules etc. Examples of programmes are, building programme, expansion programme, moral improvement programme, acquisition of the new line of business programme, training programme, development of a new product programme, advertising programme and so on. Programmes may be major or minor, primary or derivative and long-term, medium term or short term.

5.5.7 Projects

Often a single step in a programme is set up as a project. In fact a project is simply a cluster of activities that is relatively separate and clear cut. Thus, projects have some features of a programme but are usually parts of some programmes. Building a hospital, designing a new package, building a new plant, are some examples of projects. The chief virtue of a project lies in identifying a nice, neat work package within a bewildering array of objectives, alternatives and activities.

5.5.8 Budgets

A budget is a statement or a plan of expected results expressed in numerical terms, such as man hours, units of production, machine hours, amount of expenditure or any other quantitatively measurable term. Then it may be expressed in time, money, materials or other quantitative units. Budget is prepared prior to a definite period of time of the policy to be pursued during that period for a purpose of a given objective. It introduces the idea of definiteness in planning. A budget is an important control device also because it provides standards against which actual performance may be measured. Examples of budgets are, production budget, sales budget, material budget, cash budget, capital expenditure budget, expenses budget and so on.

5.5.9 Schedules

A schedule is an operational plan, timetable of work that specified time-periods (with beginning and completion time points) within which activity or activities are to be accomplished. In order to keep the schedule realistic and flexible, minimum and maximum time-periods may be specified. Three main elements are involved in planning a schedules, (i) identification of activities or tasks, (ii) determination of their sequence, (iii) specification of starting and finishing dates for each activity as well as for teh sequence as a whole. Scheduling is the process of establishing a time sequence for the work to be done. Schedules translate programmes into actions. Scheduling is necessary in all organisations with a view to providing for an even flow of operations and to ensure completing of each task at the right time. While planning schedule, the avialability of resources, processing time and the delivery commitments should be kept in view. Due allowance should be made for delays created by factors beyond the control of management as well as for non-productive time.

5.5.10 Forecasts

Planning presupposes forecasting as the former is defined as deciding what is to be done in future. Henri Fayol has described a plan as the synthesis of various forecasts - annual, long-term, short-term, special etc. The targets cannot

be fixed with any degree of precision unless forecasts are made. Forecasts are estimates of future events, providing parameters to planning. Forecasts do not involve any kind of commitment of organizational resources. Planning without forecasts is not possible. In fact, forecasts are predictions or estimates of the changes in the environment, which may effect the business plans. A manager has to make forecasts keeping in view the planning premises. There are various types of forecasts, such as economic, technological, political, social and so on. However, sales forecast is the basis of most planning.

5.6 ADVANTAGES OF PLANNING

1) Planning facilitates management by objectives.

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

2) Planning minimizes uncertainties.

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

3) Planning facilitates co-ordination.

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

4) Planning improves employee's moral.

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

5) Planning helps in achieving economies.

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

6) Planning facilitates controlling.

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

7) Planning provides competitive edge.

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

8) Planning encourages innovations.

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

5.7 DISADVANTAGES OF PLANNING

5.7.1 Internal Limitations

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

1) Rigidity

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

2) Misdirected Planning

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

3) Time consuming

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

4) Probability in planning

- a. Planning is based on forecasts which are mere estimates about future.
- b. Any change in the anticipated situation may render plans ineffective.

- c. These estimates may prove to be inexact due to the uncertainty of future.
- d. Plans do not always reflect real situations inspite of the sophisticated techniques of forecasting because future is unpredictable.
- e. Thus, excessive reliance on plans may prove to be fatal.

5) False sense of security

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

6) Expensive

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

5.7.2 External Limitations of Planning

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

5.8 Importance of Planning

Planning is of paramount importance both for an organisation and an economy. Sound plans are essential to effective management, because they serve as guides to all management functions.

Lack of well-defined objectives and priorities is the common cause of failure. 'Failure to plan is planning to fail'. Planning is useful to an organisation in the following ways

1. Focuses attention on objectives and results: Every organisation exists to achieve certain objectives: (Planning concentrates attention on the dominant goals of the organisation. It forces the members of the organisation not to get lost

in the maze of routine activities and lose sight' of the broad objectives for which the organisation was established.

"Plans alone cannot make an enterprise successful. Action is required; the enterprise must operate. Plans can, however, focus attention on purposes. They can forecast which actions will tend toward the ultimate objective which tends away and which are merely irrelevant. Sound Planning avoids the danger of means becoming ends in themselves. Planning provides a rational approach to predefined objectives. It secures unity of purpose and action.

2. Reduces uncertainty and change: Uncertainty and risks are inevitable and planning cannot eliminate them. But planning enables an organisation to cope with uncertainty and change.

Although the exact future can seldom be predicted and factors beyond control may interfere with the best-laid plans, without planning events are left to chance. (With the help of planning, an enterprise can predict future opportunities and threats and make due provision for them) Instead of leaving future events to chance, they can be made to occur in a desired manner, planning seeks to minimize risk while taking advantage of opportunities.

Planning helps to identify potential threats and opportunities. It also keeps management alert to the changing environment of business. In this way planning provides additional strength to the organisation for survival and growth in the face of turbulence.

3. Provides sense of direction: Planning provides a clear sense of direction to the activities of the organization and to the job behavior of managers and others. It strengthens their confidence in understanding where the organization is heading and what for, how best to make the organization move along the chosen path, and when should they take what measures to achieve the goals of the organization. Planning saves an organisation from drifting and avoids aimless activities. It directs human efforts into endeavors that contribute to the accomplishment of goals. "If you don't know where you are going, any road will get you there." Planning makes work more meaningful and activities more orderly. It bridges the gap between where we are and where we want to go. Without planning action is likely to become random activity, producing nothing but chaos. Planning replaces random and haphazard operation by orderly and meaningful action.

4. Encourages innovation and creativity: Innovation and creativity are prerequisites to continuous growth and Steady prosperity of business. Sound planning encourages innovative thought and creativity of a manager.

According to D.E. Hussey, "a good planning process will provide avenues for individual participation, will throw up more ideas about the company and its environment, will encourage an atmosphere of frankness and appropriate self-criticism and will stimulate managers to achieve more."

Earning is forward looking and enables an enterprise to cope with technological and other developments. Being anticipatory in nature, planning improves the adaptability of an organisation to the changing environment. Planning keeps the organisation tuned to its environment.

5. Helps in coordination: Planning is the best stage for the integration of diverse forces at work. Sound planning interrelates all the activities and resources of an organisation. It also helps to relate internal conditions and processes to external events and forces.

The activities and efforts of various departments and divisions can be harmonized with the help loan overall plan, planning makes for balance and consistency in efforts Planning leads to a consistent and coordinated structure of operations. Effective planning can minimize the dangers of misunderstandings that result from lack of information and confusion.

6. Guides decision making: Planned targets serve as the criteria for the evaluation of different alternatives so that the best course of action may be chosen. By predicting future, planning helps in taking future-oriented decisions and promotes rationality in executive thinking Sound plans prevent hasty judgment and haphazard action.

"Without planning, business decisions would become random ad hoc choices, as though a pilot set out without knowing whether he wished to fly to London, Hong Kong or Johannesburg."7planning eliminates the need for trial and error in decision-making)

7. Provides a basis for decentralization: Planning helps in the dispersal of decision-making power among the lower levels of management. Well-established plans serve as guides to subordinates and reduce the risk involved in delegation of authority. Planning also helps to improve the motivation and morale of employees by providing targets of performance.

8. Provides economy in operation: Planning facilitates optimum utilization of available resources. It makes at possible for things to occur which would not otherwise happen. It improves the competitive strength of an organization by helping it to discover and exploit opportunities a rational solution to problems, planning results in the use of most efficient methods of work.

"Planning minimizes costs because of the emphasis on efficient operation and consistency. It substitutes joint directed efforts for uncoordinated piece-meal activity, even flow of work for uneven flow and deliberate decision for snap judgment." Planned effort is always more efficient than unplanned action. Thus, planning improves organizational effectiveness. It promotes growth and prosperity.

9. Facilitates control: Planning provides the basis for control. Plans serve as standards or benchmarks for the evaluation of actual performance. Sound planning enables management to control the events rather than be controlled by

them. It permits control by exception. Control cannot be exercised without plans because the function of control is to ensure that the activities conform to the plans. Any attempt to control without plans is meaningless as there are no gauges for performance.

10. Provides opportunity to analyze alternative courses of action: Another source of importance of planning is that it permits managers to examine and analyze alternative course of action with a better understanding of their likely consequences. If managers have an enhanced awareness of the possible future effects of alternative courses of action, for making a decision or for taking any action, they will be able to exercise judgment and proceed cautiously to choose the most feasible and favorable course of action.

11. Reduces uncertainties: Planning forces managers to shake off their inertia and insular outlook; it induces them to look beyond those noses, beyond today and tomorrow, and beyond immediate concerns. It encourages them to probe and cut through complexities and uncertainties of the environment and to gain control over the elements of change.

12. Minimizes impulsive and arbitrary decisions: Planning tends to minimize the incidence of impulsive and arbitrary decisions and ad hoc actions; it obviates exclusive dependence on the mercies of luck and chance elements; it reduces the probability of major errors and failures in managerial actions. It injects a measure of discipline in managerial thinking and organizational action. It improves the capability of the organization to assume calculated risks. It increases the freedom and flexibility of managers within well-defined limits.

13. King-pin function: As stated earlier, planning is a prime managerial function which provides the basis for the other managerial functions. The organizational structure of task and authority roles is built around organizational plans. The functions of motivation, supervision, leadership and communication are addressed to implementation of plans and achievement of organizational objectives. Managerial control is meaningless without managerial planning. Thus, planning is the king-pin function around which other functions are designed.

14. Resource Allocation: Planning is means of judicious allocation of strategic and scarce resources of the organization in the best possible manner for achieving strategic goals of the organization. The strategic resources include funds, highly competent executives, technological talent, good contacts with government, exclusive dealer network and so on. If the organization enjoys a distinct advantage in possession of such resources, a careful planning is essential to allocate them into those lines which would strengthen the overall competitive position of the organization.

15. Resource use efficiency: For an ongoing organization, planning contributes towards a more efficient functioning of the various work units. There is better

utilization of the organization's existing assets, resources and capabilities. It prompts managers to close gaps, to plug loopholes, to rectify deficiencies, to reduce wastage and leakages of funds, materials, human efforts and skills so as to bring about an overall improvement in resource use efficiency.

16. Adaptive responses: Planning tends to improve the ability of the organization to effectively adapt and adjust its activities and directions in response to the changes taking place in the external environment. An adaptive behavior on the part of the organization is essential for its survival as an independent entity. For a business organization, for example, adaptive behavior is critical in technology, markets, products and so on.

17. Anticipative action: While adaptation is a behavior in reaction and response to some changes in the outside world, it is not enough in some situations. In recognition of this fact, planning stimulates management to act, to take hold initiatives, to anticipate crises and threats and to ward them off, to perceive and seize opportunities ahead of other competitions, and to gain a competitive lead over others. For the purpose, some enterprises establish environmental scanning mechanism as part of their planning systems. Thereby such enterprises are able to direct and control change, instead of being directed and controlled by the pervasive external forces of change.

18. Integration: Planning is an important process to bring about effective integration of the diverse decisions and activities of the managers not only at a point of time but also over a period of time. It is by reference to the framework provided by planning that managers make major decisions on organizational activities, in an internally consistent manner.

5.9 SUMMARY

Planning is the function of management that involves setting objectives and determining a course of action for achieving these objectives. Planning requires that managers be aware of environmental conditions facing their organization and forecast future conditions. It also requires that managers be good decision-makers.

Planning is a process consisting of several steps. The process begins with environmental scanning, which simply means that planners must be aware of the critical contingencies facing their organization in terms of economic conditions, their competitors, and their customers. Planners must then attempt to forecast future conditions. These forecasts form the basis for planning.

Planners must establish objectives, which are statements of what needs to be achieved and when. Planners must then identify alternative courses of action for achieving objectives. After evaluating the various alternatives, planners must make decisions about the best courses of action for achieving objectives. They must then formulate necessary steps and ensure effective implementation

of plans. Finally, planners must constantly evaluate the success of their plans and take corrective action when necessary. There are many different types of plans and planning.

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5.11 QUESTION BANK

- Q.1. Define Planning and discuss its main characteristics.
- Q.2. Discuss the advantages, limitation and principles of Planning.
- Q.3. What is planning? Outline the steps in planning process.
- Q.4. What is the concept of planning as an element of Management process? Discuss its nature and role in a modern business organisation.

UNIT 6: PRINCIPLES OF PLANNING, STEPS OF PLANNING, DECISION MAKING, MANAGEMENT BY OBJECTIVES

STRUCTURE

- 6.1 Introduction
- 6.2 Objectives
- 6.3 Characteristics of Planning
- 6.4 Principles of Planning
- 6.5 Steps of Planning
- 6.6 Advantages of Planning
- 6.7 Disadvantages of Planning
 - 6.7.1 Internal Limitations of Planning
 - 6.7.2 External Limitations of Planning
- 6.8 Decision Making
 - 6.8.1 Concepts of Decision Making
 - 6.8.2 Definition of Decision Making
 - 6.8.3 Steps in Decision Making Process
- 6.9 Management by Objectives
 - 6.9.1 Features of Management by Objectives
 - 6.9.2 Steps in Management by Objectives Planning
 - 6.9.3 Features of Management by Objectives
 - 6.9.4 Need for Management by Objectives
 - 6.9.5 Advantages of Management by Objectives
 - 6.9.6 Limitations of Management by Objectives
 - 6.9.7 Steps to make MBO effective in Organisation
- 6.10 Summary
- 6.11 Glossary
- 6.12 Answer to check your progress/Possible Answers to SAQ
- 6.13 References/Bibliography
- 6.14 Suggested Readings
- 6.15 Terminal Questions

6.1 INTRODUCTION

Planning means to look ahead and chalk out future courses of action to be followed. It is a preparatory step. It is a systematic activity which determines when, how and who is going to perform a specific job. Planning is a detailed programme regarding future courses of action. It is rightly said "Well plan is half done". Therefore planning takes into consideration available & prospective human and physical resources of the organization so as to get effective co-

ordination, contribution & perfect adjustment. It is the basic management function which includes formulation of one or more detailed plans to achieve optimum balance of needs or demands with the available resources.

According to Urwick, "Planning is a mental predisposition to do things in orderly way, to think before acting and to act in the light of facts rather than guesses". Planning is deciding best alternative among others to perform different managerial functions in order to achieve predetermined goals.

According to Koontz & O'Donell, "Planning is deciding in advance what to do, how to do and who is to do it. Planning bridges the gap between where we are to, where we want to go. It makes possible things to occur which would not otherwise occur.

Planning refers to the process of deciding what to do and how to do it. Planning occurs at many levels, from day-to-day decisions made by individuals and families, to complex decisions made by businesses and governments. *Planners* are professionals who facilitate decision-making. Planners do not make decisions themselves; rather, they support decision-makers (managers, public officials, citizens) by coordinating information and activities. Their role is to create a logical, systematic decision-making process that results in the best actions.

Although grounded in the mundane, planners help nurture a community's deepest aspirations, such as love, hope and beauty. Planners translate theoretical goals into specific actions. Planning is an art as well as a science. It requires judgment, sensitivity and creativity.

6.2 OBJECTIVES

After reading this unit, you should be able to:

- Understand the Characteristics of Planning.
- Write the Principles of Planning.
- List the Steps of Planning.
- Explain decision making in organisations.
- Understand Management by Objectives.

6.3 CHARACTERISTICS OF PLANNING

1. Planning is goal-oriented.

- a. Planning is made to achieve desired objective of business.
- b. The goals established should general acceptance otherwise individual efforts & energies will go misguided and misdirected.
- c. Planning identifies the action that would lead to desired goals quickly & economically.
- d. It provides sense of direction to various activities. E.g. Maruti Udyog is trying to capture once again Indian Car Market by launching diesel models.

2. Planning is looking ahead.

- a. Planning is done for future.
- b. It requires peeping in future, analyzing it and predicting it.
- c. Thus planning is based on forecasting.
- d. A plan is a synthesis of forecast.
- e. It is a mental predisposition for things to happen in future.

3. Planning is an intellectual process.

- a. Planning is a mental exercise involving creative thinking, sound judgement and imagination.
- b. It is not a mere guesswork but a rotational thinking.
- c. A manager can prepare sound plans only if he has sound judgement, foresight and imagination.
- d. Planning is always based on goals, facts and considered estimates.

4. Planning involves choice & decision making.

- a. Planning essentially involves choice among various alternatives.
- b. Therefore, if there is only one possible course of action, there is no need planning because there is no choice.
- c. Thus, decision making is an integral part of planning.
- d. A manager is surrounded by no. of alternatives. He has to pick the best depending upon requirements & resources of the enterprises.

5. Planning is the primary function of management / Primacy of Planning.

- a. Planning lays foundation for other functions of management.
- b. It serves as a guide for organizing, staffing, directing and controlling.
- c. All the functions of management are performed within the framework of plans laid out.
- d. Therefore planning is the basic or fundamental function of management.

6. Planning is a Continuous Process.

- a. Planning is a never ending function due to the dynamic business environment.
- b. Plans are also prepared for specific period of time and at the end of that period, plans are subjected to revaluation and review in the light of new requirements and changing conditions.
- c. Planning never comes into end till the enterprise exists issues, problems may keep cropping up and they have to be tackled by planning effectively.

7. Planning is all Pervasive.

- a. It is required at all levels of management and in all departments of enterprise.
- b. The top level may be more concerned about planning the organization as a whole whereas the middle level may be more specific in departmental plans and the lower level plans implementation of the same.

c. Of course, the scope of planning may differ from one level to another.

8. Planning is designed for efficiency.

- a. Planning leads to accomplishment of objectives at the minimum possible cost.
- b. It avoids wastage of resources and ensures adequate and optimum utilization of resources.
- c. A plan is worthless or useless if it does not value the cost incurred on it.
- d. Therefore planning must lead to saving of time, effort and money.
- e. Planning leads to proper utilization of men, money, materials, methods and machines.

9. Planning is Flexible.

- a. Planning is done for the future.
- b. Since future is unpredictable, planning must provide enough room to cope with the changes in customer's demand, competition, and govt. policies etc.
- c. Under changed circumstances, the original plan of action must be revised and updated to make it more practical.

6.4 PRINCIPLES OF PLANNING

Good planning requires a methodical process that clearly defines the steps that lead to optimal solutions. This process should reflect the following principles:

- **Comprehensive** – all significant options and impacts are considered.
- **Efficient** – the process should not waste time or money.
- **Inclusive** – people affected by the plan have opportunities to be involved.
- **Informative** – results are understood by stakeholders (people affected by a decision).
- **Integrated** – individual, short-term decisions should support strategic, long-term goals.
- **Logical** – each step leads to the next.
- **Transparent** – everybody involved understands how the process operates.

A principle of good planning is that individual, short-term decisions should support strategic, long-term goals. This requires comprehensive evaluation and negotiation to help people accept solutions that may seem difficult and costly in the short-term.

Good planning is insightful, comprehensive and strategic. Planners should strive to truly understand problems, not just a single perspective or manifestation. Effective planning requires correctly defining problems and asking critical questions.

6.5 STEPS OF PLANNING

Planning function of management involves following steps:-

1. Establishment of objectives

- a. Planning requires a systematic approach.
- b. Planning starts with the setting of goals and objectives to be achieved.
- c. Objectives provide a rationale for undertaking various activities as well as indicate direction of efforts.
- d. Moreover objectives focus the attention of managers on the end results to be achieved.
- e. As a matter of fact, objectives provide nucleus to the planning process. Therefore, objectives should be stated in a clear, precise and unambiguous language. Otherwise the activities undertaken are bound to be ineffective.
- f. As far as possible, objectives should be stated in quantitative terms. For example, Number of men working, wages given, units produced, etc. But such an objective cannot be stated in quantitative terms like performance of quality control manager, effectiveness of personnel manager.
- g. Such goals should be specified in qualitative terms.
- h. Hence objectives should be practical, acceptable, workable and achievable.

2. Establishment of Planning Premises

- a. Planning premises are the assumptions about the likely shape of events in future.
- b. They serve as a basis of planning.
- c. Establishment of planning premises is concerned with determining where one tends to deviate from the actual plans and causes of such deviations.
- d. It is to find out what obstacles are there in the way of business during the course of operations.
- e. Establishment of planning premises is concerned to take such steps that avoids these obstacles to a great extent.
- f. Planning premises may be internal or external. Internal includes capital investment policy, management labour relations, philosophy of management, etc. Whereas external includes socio- economic, political and economical changes.
- g. Internal premises are controllable whereas external are non- controllable.

3. Choice of alternative course of action

- a. When forecast are available and premises are established, a number of alternative course of actions have to be considered.
- b. The merits, demerits as well as the consequences of each alternative must be examined before the choice is being made.

- c. For this purpose, each and every alternative will be evaluated by weighing its pros and cons in the light of resources available and requirements of the organization.
- d. After objective and scientific evaluation, the best alternative is chosen.
- e. The planners should take help of various quantitative techniques to judge the stability of an alternative.

4. Formulation of derivative plans

- a. Derivative plans are the sub plans or secondary plans which help in the achievement of main plan.
- b. Secondary plans will flow from the basic plan. These are meant to support and expedite the achievement of basic plans.
- c. These detail plans include policies, procedures, rules, programmes, budgets, schedules, etc. For example, if profit maximization is the main aim of the enterprise, derivative plans will include sales maximization, production maximization, and cost minimization.
- d. Derivative plans indicate time schedule and sequence of accomplishing various tasks.

5. Securing Co-operation

- a. After the plans have been determined, it is necessary rather advisable to take subordinates or those who have to implement these plans into confidence.
- b. The purposes behind taking them into confidence are :-
 - i. Subordinates may feel motivated since they are involved in decision making process.
 - ii. The organization may be able to get valuable suggestions and improvement in formulation as well as implementation of plans.
 - iii. Also the employees will be more interested in the execution of these plans.

6. Follow up/Appraisal of plans

- a. After choosing a particular course of action, it is put into action.
- b. After the selected plan is implemented, it is important to appraise its effectiveness.
- c. This is done on the basis of feedback or information received from departments or persons concerned.
- d. This enables the management to correct deviations or modify the plan.
- e. This step establishes a link between planning and controlling function.
- f. The follow up must go side by side the implementation of plans so that in the light of observations made, future plans can be made more realistic.

6.6 ADVANTAGES OF PLANNING

1. **Planning facilitates management by objectives.**
 - a. Planning begins with determination of objectives.
 - b. It highlights the purposes for which various activities are to be undertaken.
 - c. In fact, it makes objectives more clear and specific.
 - d. Planning helps in focusing the attention of employees on the objectives or goals of enterprise.
 - e. Without planning an organization has no guide.
 - f. Planning compels manager to prepare a Blue-print of the courses of action to be followed for accomplishment of objectives.
 - g. Therefore, planning brings order and rationality into the organization.
2. **Planning minimizes uncertainties.**
 - a. Business is full of uncertainties.
 - b. There are risks of various types due to uncertainties.
 - c. Planning helps in reducing uncertainties of future as it involves anticipation of future events.
 - d. Although future cannot be predicted with cent percent accuracy but planning helps management to anticipate future and prepare for risks by necessary provisions to meet unexpected turn of events.
 - e. Therefore with the help of planning, uncertainties can be forecasted which helps in preparing standbys as a result, uncertainties are minimized to a great extent.
3. **Planning facilitates co-ordination.**
 - a. Planning revolves around organizational goals.
 - b. All activities are directed towards common goals.
 - c. There is an integrated effort throughout the enterprise in various departments and groups.
 - d. It avoids duplication of efforts. In other words, it leads to better co-ordination.
 - e. It helps in finding out problems of work performance and aims at rectifying the same.
4. **Planning improves employee's moral.**
 - a. Planning creates an atmosphere of order and discipline in organization.
 - b. Employees know in advance what is expected of them and therefore conformity can be achieved easily.
 - c. This encourages employees to show their best and also earn reward for the same.
 - d. Planning creates a healthy attitude towards work environment which helps in boosting employees moral and efficiency.

5. Planning helps in achieving economies.

- a. Effective planning secures economy since it leads to orderly allocation of resources to various operations.
- b. It also facilitates optimum utilization of resources which brings economy in operations.
- c. It also avoids wastage of resources by selecting most appropriate use that will contribute to the objective of enterprise.

For example, raw materials can be purchased in bulk and transportation cost can be minimized. At the same time it ensures regular supply for the production department, that is, overall efficiency.

6. Planning facilitates controlling.

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

7. Planning provides competitive edge.

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

8. Planning encourages innovations.

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

6.7 DISADVANTAGES OF PLANNING

6.7.1 Internal Limitations of Planning

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

1. Rigidity

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

2. Misdirected Planning

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

3. Time consuming

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

4. Probability in planning

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

5. False sense of security

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

6. Expensive

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

6.7.2 External Limitations of Planning

1. Political Climate- Change of government from Congress to some other political party, etc.
2. Labour Union- Strikes, lockouts, agitations.
3. Technological changes- Modern techniques and equipments, computerization.
4. Policies of competitors- Eg. Policies of Coca Cola and Pepsi.
5. Natural Calamities- Earthquakes and floods.
6. Changes in demand and prices- Change in fashion, change in tastes, change in income level, demand falls, price falls, etc.

6.8 DECISION MAKING

Every organization needs to make decisions at one point or other as part of managerial process. Decisions are made in the best interest of the organization.

For that matter, decisions made by the organization are to lighten the way forward. Be it strategic, business activities or HR matters, processes of making decisions is complex, involves professionals of different genre. While small organization involves all levels of managers, complex organizations largely depend on a team of professionals specially trained to make all sorts of decisions.

But remember, such a body alone cannot come out with final decisions. Here, the point is, decision making process is cumulative and consultative process. The process, on the whole, bears its pros and cons and would by and large emanate results and consequences in the organizations' overall growth and prospects.

6.8.1 Concepts of Decision Making

Decisions are taken to support organizational growth. The whole fabric of management, i.e. its day to day operation is rightly built on managerial decisions. Top notch companies, as evidenced by their functions, effective communication tools are utilized in addition to normal consultation process to make decisions that would have large scale implications on the company's prospects.

Discussions and consultations are two main tools that support and eventually bring out decisions. For instance to take a decision on how to embark on new business activity suggested by strategic management team must have developed through series of consultative process, which is now available with implementation team. Here we see the cumulative effect of decision taken at one point by a different body of affairs. Decision taken by strategic managers is to push new and innovative business line or initiative. At this point the decision taken by such team becomes consultative point for discussion for implementation professionals. There is lot to debate, research and finalize. Is the new proposal viable? Is it innovative enough? Can there be growth stimulant in the strategies proposed? Such questions evolved from the decision taken by strategic group have reflective influence on the next level of managerial consultations and meetings. Let us accept, at this point of discussion, that proposals submitted by business development team would largely depend on another set of deliberations in the board room.

Thus, the final decision to roll out a product or service is through cumulative interim decisions taken by various internal and external parties. And also the final decision is reflective and founded on researches and consultations. Whole process is a chain affair where one decision taken at one point and at one level shall have far reaching implications in the way an organization moves forward.

As a matter of fact, capability of taking critical decisions are one of the many attributes that every manager should have, be it top level or middle or entry level. By nature a human being during his existence and by virtue of his instinct makes decisions for his survival, as social psychologists put it. By and large, managers are polished individuals to take decisions to affect others, i.e. the organization's existence and growth thus is annotative with human endeavour to live and succeed. Success succeeds on the decisions taken, be it by an individual or an organization.

Decision-making is an integral part of modern management. Essentially, Rational or sound decision making is taken as primary function of management. Every manager takes hundreds and hundreds of decisions subconsciously or consciously making it as the key component in the role of a manager. Decisions play important roles as they determine both organizational and managerial activities. A decision can be defined as a course of action purposely chosen from

a set of alternatives to achieve organizational or managerial objectives or goals. Decision making process is continuous and indispensable component of managing any organization or business activities. Decisions are made to sustain the activities of all business activities and organizational functioning.

Decisions are made at every level of management to ensure organizational or business goals are achieved. Further, the decisions make up one of core functional values that every organization adopts and implements to ensure optimum growth and drivability in terms of services and or products offered.

As such, decision making process can be further exemplified in the backdrop of the following definitions.

6.8.2 Definition of Decision Making

According to the Oxford Advanced Learner's Dictionary the term decision making means - the process of deciding about something important, especially in a group of people or in an organization. Trewatha & Newport defines decision making process as follows: "Decision-making involves the selection of a course of action from among two or more possible alternatives in order to arrive at a solution for a given problem".

As evidenced by the foregone definitions, decision making process is a consultative affair done by a comity of professionals to drive better functioning of any organization. Thereby, it is a continuous and dynamic activity that pervades all other activities pertaining to the organization. Since it is an ongoing activity, decision making process plays vital importance in the functioning of an organization. Since intellectual minds are involved in the process of decision making, it requires solid scientific knowledge coupled with skills and experience in addition to mental maturity. Further, decision making process can be regarded as check and balance system that keeps the organisation growing both in vertical and linear directions. It means that decision making process seeks a goal. The goals are pre-set business objectives, company missions and its vision. To achieve these goals, company may face lot of obstacles in administrative, operational, marketing wings and operational domains. Such problems are sorted out through comprehensive decision making process. No decision comes as end in itself, since in may evolve new problems to solve. When one problem is solved another arises and so on, such that decision making process, as said earlier, is a continuous and dynamic.

6.8.3 Steps in Decision Making Process

Decision making process is like a school exam. Those who take good decisions will pass the exam and the rest who does not take right decisions will have to bear the consequences. Being able to take good decision is important for

everyone, whether he/she is a student, teacher, manager, principal, president, leader of any institution etc. A student has to take decisions about his career, a president has to take decisions regarding his country's benefit, and a manager has to take decisions regarding his company and likewise the leader of any institution. So every single person has to pass this step in order to progress in their field.

The meaning of decision in Latin is to 'cut off'. This means that from all the available alternatives you choose one thing and then cut off from all the other alternatives. Due to this, the decision making process sometimes becomes very difficult. Choosing the right option from all the available alternatives is very hard to do. Decision making process requires thinking process, time, efforts, resources and also a little bit of knowledge and past experiences. Thinking process plays an important role in decision making process because it allows you to judge each and every thing. Timing is also important.

Taking right decisions on right time can save you from any trouble. Taking too little time to take decisions or taking too much time to execute your decision can cause many problems for you. Decision making processes also requires knowledge, experience and research. If you have knowledge, you can find out different alternatives for the problem faced. Making decisions without having proper knowledge about the problem can cause difficulties.

In our view decision making power is the key to progress in life. You might have seen many people who do not take proper decisions and then they have to suffer. On the other hand people who have this decision making power, continues to progress in their life. Not all of us have this decision making power. We try to make right decisions but sometimes we make mistakes because we don't know the steps that we should follow during the decision making process. So in order to take right decisions, it is important that we should know all the steps of decision making process and follow them.

A lot of time is consumed while decisions are taken. In a management setting, decision cannot be taken abruptly. It should follow the steps such as

1. Defining the problem
2. Gathering information and collecting data
3. Developing and weighing the options
4. Choosing best possible option
5. Plan and execute
6. Take follow up action

Since decision making process follows the above sequential steps, a lot of time is spent in this process. This is the case with every decision taken to solve management and administrative problems in a business setting. Though the whole process is time consuming, the result of such process in a professional organization is magnanimous.

6.9 Management by Objectives

Management by Objectives (MBO) is a process of defining objectives within an organization so that management and employees agree to the objectives and understand what they need to do in the organization. The process of setting objectives in the organization to give a sense of direction to the employees is called as Management by Objectives. It refers to the process of setting goals for the employees so that they know what they are supposed to do at the workplace. The concept of 'Management by Objectives' (MBO) was first given by *Peter Drucker* in 1954 book 'The Practice of Management'. It can be defined as a process whereby the employees and the superiors come together to identify common goals, the employees set their goals to be achieved, the standards to be taken as the criteria for measurement of their performance and contribution and deciding the course of action to be followed.

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According to George Odiome, MBO is "a process whereby superior and subordinate managers of an Organisation jointly define its common goals, define each individual's major areas of responsibility in terms Of results expected of him and use these measures as guides for operating the unit and assessing the contribution of each of its members."

According to John Humble, MBO is "a dynamic system which seeks to integrate the company's needs to clarify and achieve its profits and growth goals with the manager's need to contribute and develop himself. It is a demanding and rewarding style of managing a business."

The essence of MBO is participative goal setting, choosing course of actions and decision making. An important part of the MBO is the measurement and the comparison of the employee's actual performance with the standards set. Ideally, when employees themselves have been involved with the goal setting and choosing the course of action to be followed by them, they are more likely to fulfil their responsibilities.

According to George S. Odiorne, the system of management by objectives can be described as a process whereby the superior and subordinate managers of an organization jointly identify its common goals, define each individual's major areas of responsibility in terms of the results expected of him, and use these measures as guides for operating the unit and assessing the contribution of each of its members. An effective management goes a long way in extracting the best out of employees and make them work as a single unit towards a common goal. Management by Objectives defines roles and responsibilities for the employees and help them chalk out their future course of action in the organization.

The essence of MBO is participative goal setting, choosing course of actions and decision making. An important part of the MBO is the measurement and the comparison of the employee's actual performance with the standards set. Ideally, when employees themselves have been involved with the goal setting and the choosing the course of action to be followed by them, they are more likely to fulfil their responsibilities

6.9.1 Features of Management by Objectives

1. Superior-subordinate participation: MBO requires the superior and the subordinate to recognize that the development of objectives is a joint project/activity. They must be jointly agree and write out their duties and areas of responsibility in their respective jobs.
2. Joint goal-setting: MBO emphasizes joint goal-setting that are tangible, verifiable and measurable. The subordinate in consultation with his superior sets his own short-term goals. However, it is examined both by the superior and the subordinate that goals are realistic and attainable. In brief, the goals are to be decided jointly through the participation of all.
3. Joint decision on methodology: MBO focuses special attention on what must be accomplished (goals) rather than how it is to be accomplished (methods). The superior and the subordinate mutually devise methodology to be followed in the attainment of objectives. They also mutually set standards and establish norms for evaluating performance.
4. Makes way to attain maximum result: MBO is a systematic and rational technique that allows management to attain maximum results from available resources by focussing on attainable goals. It permits lot of freedom to subordinate to make creative decisions on his own. This motivates subordinates and ensures good performance from them.
5. Support from superior: When the subordinate makes efforts to achieve his goals, superior's helping hand is always available. The superior acts as a coach and provides his valuable advice and guidance to the subordinate. This is how MBO facilitates effective communication between superior and subordinates for achieving the objectives/targets set.

6.9.2 Steps in Management by Objectives (MBO) Planning

1. Goal setting: The first phase in the MBO process is to define the organizational objectives. These are determined by the top management and usually in consultation with other managers. Once these goals are established, they should be made known to all the members. In setting objectives, it is necessary to identify "Key-Result Areas' (KRA).

2. Manager-Subordinate involvement: After the organizational goals are defined, the subordinates work with the managers to determine their individual goals. In this way, everyone gets involved in the goal setting.
3. Matching goals and resources: Management must ensure that the subordinates are provided with necessary tools and materials to achieve these goals. Allocation of resources should also be done in consultation with the subordinates.
4. Implementation of plan: After objectives are established and resources are allocated, the subordinates can implement the plan. If any guidance or clarification is required, they can contact their superiors.
5. Review and appraisal of performance: This step involves periodic review of progress between manager and the subordinates. Such reviews would determine if the progress is satisfactory or the subordinate is facing some problems. Performance appraisal at these reviews should be conducted, based on fair and measurable standards.

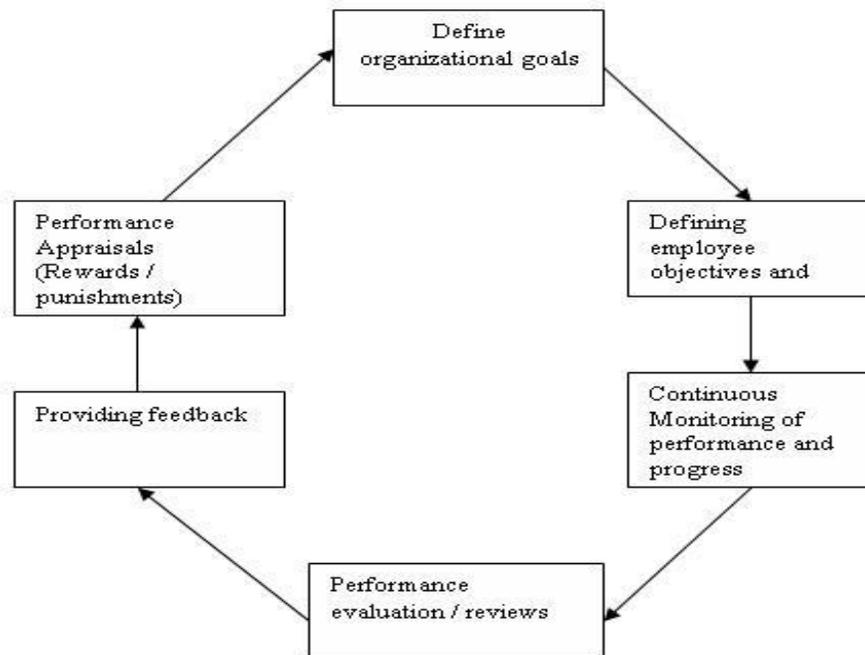


Figure 6.9.2: The MBO Process

6.9.3 Features of Management by Objectives

The principle behind Management by Objectives (MBO) is to create empowered employees who have clarity of the roles and responsibilities expected from them, understand their objectives to be achieved and thus help in

the achievement of organizational as well as personal goals. Some of the important features of MBO are:

- Clarity of goals – With MBO, came the concept of SMART goals i.e. goals that are: Specific, Measurable, Achievable, Realistic, and Time bound.
- The goals thus set are clear, motivating and there is a linkage between organizational goals and performance targets of the employees.
- The focus is on future rather than on past. Goals and standards are set for the performance for the future with periodic reviews and feedback.
- Motivation – Involving employees in the whole process of goal setting and increasing employee empowerment increases employee job satisfaction and commitment.
- Better communication and Coordination – Frequent reviews and interactions between superiors and subordinates helps to maintain harmonious relationships within the enterprise and also solve many problems faced during the period

6.9.4 Need for Management by Objectives (MBO)

- The Management by Objectives process helps the employees to understand their duties at the workplace.
- Key-Result Areas (KRAs) are designed for each employee as per their interest, specialization and educational qualification.
- The employees are clear as to what is expected out of them.
- Management by Objectives process leads to satisfied employees. It avoids job mismatch and unnecessary confusions later on.
- Employees in their own way contribute to the achievement of the goals and objectives of the organization. Every employee has his own role at the workplace. Each one feels indispensable for the organization and eventually develops a feeling of loyalty towards the organization. They tend to stick to the organization for a longer span of time and contribute effectively. They enjoy at the workplace and do not treat work as a burden.
- Management by Objectives ensures effective communication amongst the employees. It leads to a positive ambience at the workplace.
- Management by Objectives leads to well defined hierarchies at the workplace. It ensures transparency at all levels. A supervisor of any organization would never directly interact with the Managing Director in case of queries. He would first meet his reporting boss who would then pass on the message to his senior and so on. Everyone is clear about his position in the organization.
- The MBO Process leads to highly motivated and committed employees.

- The MBO Process sets a benchmark for every employee. The superiors set targets for each of the team members. Each employee is given a list of specific tasks.

6.9.5 Advantages of Management by Objectives

1. Develops result-oriented philosophy: MBO is a result-oriented philosophy. It does not favour management by crisis. Managers are expected to develop specific individual and group goals, develop appropriate action plans, properly allocate resources and establish control standards. It provides opportunities and motivation to staff to develop and make positive contribution in achieving the goals of an Organisation.
2. Formulation of dearer goals: Goal-setting is typically an annual feature. MBO produces goals that identify desired/expected results. Goals are made verifiable and measurable which encourage high level of performance. They highlight problem areas and are limited in number. The meeting is of minds between the superior and the subordinates. Participation encourages commitment. This facilitates rapid progress of an Organisation. In brief, formulation of realistic objectives is the benefit of MBO.
3. Facilitates objective appraisal: MBO provides a basis for evaluating a person's performance since goals are jointly set by superior and subordinates. The individual is given adequate freedom to appraise his own activities. Individuals are trained to exercise discipline and self control. Management by self-control replaces management by domination in the MBO process. Appraisal becomes more objective and impartial.
4. Raises employee morale: Participative decision-making and two-way communication encourages the subordinate to communicate freely and honestly. Participation, clearer goals and improved communication will go a long way in improving morale of employees.
5. Facilitates effective planning: MBO programmes sharpen the planning process in an Organisation. It compels managers to think of planning by results. Developing action plans, providing resources for goal attainment and discussing and removing obstacles demand careful planning. In brief, MBO provides better management and better results.
6. Acts as motivational force: MBO gives an individual or group, opportunity to use imagination and creativity to accomplish the mission. Managers devote time for planning results. Both appraiser and appraisee are committed to the same objective. Since MBO aims at providing clear targets and their order of priority, employees are motivated.
7. Facilitates effective control: Continuous monitoring is an essential feature of MBO. This is useful for achieving better results. Actual performance can be measured against the standards laid down for measurement of

performance and deviations are corrected in time. A clear set of verifiable goals provides an outstanding guarantee for exercising better control.

8. Facilitates personal leadership: MBO helps individual manager to develop personal leadership and skills useful for efficient management of activities of a business unit. Such a manager enjoys better chances to climb promotional ladder than a non-MBO type.

6.9.6 Limitations of Management by Objectives

1. Time-consuming: MBO is time-consuming process. Objectives, at all levels of the Organisation, are set carefully after considering pros and cons which consumes lot of time. The superiors are required to hold frequent meetings in order to acquaint subordinates with the new system. The formal, periodic progress and final review sessions also consume time.
2. Reward-punishment approach: MBO is pressure-oriented programme. It is based on reward-punishment psychology. It tries to indiscriminately force improvement on all employees. At times, it may penalize the people whose performance remains below the goal. This puts mental pressure on staff. Reward is provided only for superior performance.
3. Increases paper-work: MBO programmes introduce ocean of paper-work such as training manuals, newsletters, instruction booklets, questionnaires, performance data and report into the Organisation. Managers need information feedback, in order to know what is exactly going on in the Organisation. The employees are expected to fill in a number of forms thus increasing paper-work. In the words of Howell, "MBO effectiveness is inversely related to the number of MBO forms.
4. Creates organizational problems: MBO is far from a panacea for all organizational problems. Often MBO creates more problems than it can solve. An incident of tug-of-war is not uncommon. The subordinates try to set the lowest possible targets and superior the highest. When objectives cannot be restricted in number, it leads to obscure priorities and creates a sense of fear among subordinates. Added to this, the programme is used as a 'whip' to control employee performance.
5. Develops conflicting objectives: Sometimes, an individual's goal may come in conflict with those of another e.g., marketing manager's goal for high sales turnover may find no support from the production manager's goal for production with least cost. Under such circumstances, individuals follow paths that are best in their own interest but which are detrimental to the company.
6. Problem of co-ordination: Considerable difficulties may be encountered while coordinating objectives of the Organisation with those of the individual and the department. Managers may face problems of measuring objectives when the objectives are not clear and realistic.

7. Lacks durability: The first few go-around of MBO are motivating. Later it tends to become old hat. The marginal benefits often decrease with each cycle. Moreover, the programme is deceptively simple. New opportunities are lost because individuals adhere rigidly to established goals.
8. Problems related to goal-setting: MBO can function successfully provided measurable objectives are jointly set and it is agreed upon by all. Problems arise when: (a) verifiable goals are difficult to set (b) goals are inflexible and rigid (c) goals tend to take precedence over the people who use it (d) greater emphasis on quantifiable and easily measurable results instead of important results and (e) over-emphasis on short-term goals at the cost of long-term goals.
9. Lack of appreciation: Lack of appreciation of MBO is observed at different levels of the Organisation. This may be due to the failure of the top management to communicate the philosophy of MBO to entire staff and all departments. Similarly, managers may not delegate adequately to their subordinates or managers may not motivate their subordinates properly. This creates new difficulties in the execution of MBO programme.
10. It sometimes ignores the prevailing culture and working conditions of the organization.
11. More emphasis is being laid on targets and objectives. It just expects the employees to achieve their targets and meet the objectives of the organization without bothering much about the existing circumstances at the workplace. Employees are just expected to perform and meet the deadlines. The MBO Process sometimes do treat individuals as mere machines.
12. The MBO process increases comparisons between individuals at the workplace. Employees tend to depend on nasty politics and other unproductive tasks to outshine their fellow workers. Employees do only what their superiors ask them to do. Their work lacks innovation, creativity and sometimes also becomes monotonous

6.9.7 Steps to Make MBO Effective in Organization

1. Support from all: In order that MBO succeeds, it should get support and co-operation from the management. MBO must be tailored to the executive's style of managing. No MBO programme can succeed unless it is fully accepted by the managers. The subordinates should also clearly understand that MBO is the policy of the Organisation and they have to offer cooperation to make it successful. It should be a programme of all and not a programme imposed on them.
2. Acceptance of MBO programme by managers: In order to make MBO programme successful, it is fundamentally important that the managers themselves must mentally accept it as a good or promising programme.

Such acceptances will bring about deep involvement of managers. If managers are forced to accept MBO programme, their involvement will remain superfluous at every stage. The employees will be at the receiving-end. They would mostly accept the lines of action initiated by the managers.

3. Training of managers: Before the introduction of MBO programme, the managers should be given adequate training in MBO philosophy. They must be in a position to integrate the technique with the basic philosophy of the company. It is but important to arrange practice sessions where performance objectives are evaluated and deviations are checked. The managers and subordinates are taught to set realistic goals, because they are going to be held responsible for the results.
4. Organizational commitment: MBO should not be used as a decorative piece. It should be based on active support, involvement and commitment of managers. MBO presents a challenging task to managers. They must shift their capabilities from planning for work to planning for accomplishment of specific goals. Koontz rightly observes, "An effective programme of managing by objective must be woven into an entire pattern and style of managing. It cannot work as a separate technique standing alone."
5. Allocation of adequate time and resources: A well-conceived MBO programme requires three to five years of operation before it provides fruitful results. Managers and subordinates should be so oriented that they do not look forward to MBO for instant solutions. Proper time and resources should be allocated and persons are properly trained in the philosophy of MBO.
6. Provision of uninterrupted information feedback: Superiors and subordinates should have regular information available to them as to how well subordinate's goal performance is progressing. Over and above, regular performance appraisal sessions, counselling and encouragement to subordinates should be given. Superiors who compliment and encourage subordinates with pay rise and promotions provide enough motivation for peak performance.

6.10 SUMMARY

Planning is often called the primary management function because it establishes the basis for all other functions. Planning involves two important elements: goals and plans. Planning gives direction, reduces the impact of change, establishes coordinated effort, reduces uncertainty, minimizes waste and redundancy, and sets the standards used in controlling. Formal planning is associated with higher profits, higher return on assets, and other positive financial results. The quality of the planning process and the appropriate implementation of the plans probably contribute more to high performance than does the extent of planning. Every organization needs to make decisions at one

point or other as part of managerial process. Decisions are made in the best interest of the organization. For that matter, decisions made by the organization are to lighten the way forward. Be it strategic, business activities or HR matters, processes of making decisions is complex, involves professionals of different genre. While small organization involves all levels of managers, complex organizations largely depend on a team of professionals specially trained to make all sorts of decisions. But remember, such a body alone cannot come out with final decisions. Here, the point is, decision making process is cumulative and consultative process. The process, on the whole, bears its pros and cons and would by and large emanate results and consequences in the organizations' overall growth and prospects. Decision making is the process through which managers identify organizational problems and attempt to resolve them. Decision-making situations differ according to the types of problems that must be handled. An effective management goes a long way in extracting the best out of employees and make them work as a single unit towards a common goal.

Management by objectives (MBO) is a process of defining objectives within an organization so that management and employees agree to the objectives and understand what they need to do in the organization. The essence of MBO is participative goal setting, choosing course of actions and decision making. An important part of the MBO is the measurement and the comparison of the employee's actual performance with the standards set. Ideally, when employees themselves have been involved with the goal setting and choosing the course of action to be followed by them, they are more likely to fulfil their responsibilities. The principle behind Management by Objectives (MBO) is for employees to have a clear understanding of the roles and responsibilities expected of them. They can then understand how their activities relate to the achievement of the organization's goal. MBO also places importance on fulfilling the personal goals of each employee.

6.11 GLOSSARY

- **Planning** is determining organizational goals and the means for achieving them.
- **Decision** can be defined as a course of action purposely chosen from a set of alternatives to achieve organizational or managerial objectives or goals.
- **Decision making process** is continuous and indispensable component of managing any organization or business activities. Decisions are made to sustain the activities of all business activities and organizational functioning.
- **Management by Objectives** can be defined as a process whereby the employees and the superiors come together to identify common goals, the employees set their goals to be achieved, the standards to be taken as the

criteria for measurement of their performance and contribution and deciding the course of action to be followed.

6.12 ANSWER TO CHECK YOUR PROGRESS/POSSIBLE ANSWERS TO SAQ

Planning involves defining the organization's goals, establishing an overall strategy for achieving those goals, and developing a comprehensive set of plans to integrate and coordinate organizational work. It's concerned with both ends (what's to be done) and means (how it's to be done). Planning gives direction, reduces the impact of change, establishes coordinated effort, reduces uncertainty, minimizes waste and redundancy, and sets the standards used in controlling.

A **decision** is a choice made from two or more alternatives. The **decision-making process** is defined as a set of different steps that begins with identifying a problem and decision criteria and allocating weights to those criteria; moves to developing, analyzing, and selecting an alternative that can resolve the problem; implements the alternative; and concludes with evaluating the decision's effectiveness.

Management by objective (MBO) is a process through which specific goals are set collaboratively for the organization as a whole and every unit and individual within it; the goals then are used as a basic for planning, managing organizational activities, and assessing and rewarding contributions.

In Management by objectives (MBO) specific performance goals are jointly determined by employees and their managers, progress toward accomplishing these goals is periodically reviewed, and rewards are allocated on the basis of this progress.

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6.15 TERMINAL QUESTIONS

- Q. 1 Explain the five Principles of Planning.
- Q. 2 List the various steps of Planning
- Q. 3 Explain the decision-making process.
- Q. 4 How can the MBO process be made effective in organisations?

UNIT 7: ORGANISING: MEANING AND IMPORTANCE, ORGANISATIONAL STRUCTURES AND DEPARTMENTALISATION

STRUCTURE

- 7.1 Introduction
- 7.2 Objectives
- 7.3 Organising Process
 - 7.3.1 Importance of Organizing Function
 - 7.3.2 Principles of Organizing
- 7.4 Organisational Structure
 - 7.4.1 Benefits of a good organisational structure
 - 7.4.2 Types of organisational structures
- 7.5 Departmentalization
 - 7.5.1 Functional Departmentalization
 - 7.5.2 Geographic Departmentalization
 - 7.5.3 Product Departmentalization
 - 7.5.4 Customer/Market Departmentalization
- 7.6 Summary
- 7.7 Glossary
- 7.8 Answer to check your progress/Possible Answers to SAQ
- 7.9 References/Bibliography
- 7.10 Suggested Readings
- 7.11 Terminal Questions

7.1 INTRODUCTION

Organising means 'identifying and grouping different activities in the organization and bringing together the physical and financial and human resources to establish the most productive relations for the achievement of organizational goals'.

Organizing is the function of management which follows planning. It is a function in which the synchronization and combination of human, physical and financial resources takes place. All the three resources are important to get results. Therefore, organizational function helps in achievement of results which in fact is important for the functioning of a concern.

According to *Chester Barnard*, "Organizing is a function by which the concern is able to define the role positions, the jobs related and the coordination between authority and responsibility. Hence, a manager always has to organize in order to get results.

A manager performs organizing function with the help of following steps:

1. Identification of activities - All the activities which have to be performed in a concern have to be identified first. For example, preparation of accounts, making sales, record keeping, quality control, inventory control, etc. All these activities have to be grouped and classified into units.
2. Departmentally organizing the activities - In this step, the manager tries to combine and group similar and related activities into units or departments. This organization of dividing the whole concern into independent units and departments is called departmentalization.
3. Classifying the authority - Once the departments are made, the manager likes to classify the powers and its extent to the managers. This activity of giving a rank in order to the managerial positions is called hierarchy. The top management is into formulation of policies, the middle level management into departmental supervision and lower level management into supervision of foremen. The clarification of authority helps in bringing efficiency in the running of a concern. This helps in achieving efficiency in the running of a concern. This helps in avoiding wastage of time, money, effort, in avoidance of duplication or overlapping of efforts and this helps in bringing smoothness in a concern's working.
4. Coordination between authority and responsibility - Relationships are established among various groups to enable smooth interaction toward the achievement of the organizational goal. Each individual is made aware of his authority and he/she knows whom they have to take orders from and to whom they are accountable and to whom they have to report. A clear organizational structure is drawn and all the employees are made aware of it.

7.2 OBJECTIVES

After reading this unit, you should be able to:

- Explain the meaning and importance of organising.
- Understand the characteristics of different organisation structures.
- Examine the advantages and disadvantages of different types of organisation structures.
- Understand the concept of departmentalisation.

7.3 ORGANISING PROCESS

1. Identification and division of work: The organizing function begins with division of work into smaller units. Each such unit is called a job. One individual is assigned only one job according to his capabilities and qualification. This leads to systematic working and specialization.

2. Departmentalization: Once the work is divided into smaller manageable units, related jobs are grouped together and put under one department. This

grouping process is called departmentalization. The most common ways of departmentalization are functional departmentalization and divisional departmentalization.

3. Assignment of duties: once departments are formed, each department is put under the charge of an individual. The work must be assigned to those who are best suited for it.

4. Establishing reporting relationships: After assigning the duties, all individuals must also be assigned matching authority. This assignment of authority and responsibility results in the creation of authority responsibility relationship between superior and subordinate. With this, a managerial hierarchy is created (chain of command) where everyone knows who he has to take orders from and to whom he is accountable.

7.3.1 Importance of Organizing Function

1. Coordination: Organization is a means of creating co-ordination among different departments of the enterprise. It creates clear cut relationships among positions and ensures mutual co-operation among individuals. Harmony of work is brought by higher level managers exercising their authority over interconnected activities of lower level manager.

Authority responsibility relationships can be fruitful only when there is a formal relationship between the two. For smooth running of an organization, the co-ordination between authority- responsibilities is very important. There should be co-ordination between different relationships.

Clarity should be made for having an ultimate responsibility attached to every authority. There is a saying, "Authority without responsibility leads to ineffective behaviour and responsibility without authority makes person ineffective." Therefore, co-ordination of authority- responsibility is very important.

2. Effective administration: The organization structure is helpful in defining the jobs positions. The roles to be performed by different managers are clarified. Specialization is achieved through division of work. This all leads to efficient and effective administration.

3. Expansion and growth: With optimum utilization of resources, proper division of work and departmentalization, companies can easily meet the challenges and can expand their activities in a planned manner. They can easily add more job positions, departments, and even diversify their product lines. New geographical areas can also be added to increase sales and profits.

A company's growth is totally dependent on how efficiently and smoothly a concern works. Efficiency can be brought about by clarifying the role positions to the managers, co-ordination between authority and responsibility and concentrating on specialization. In addition to this, a company can diversify if its

potential grows. This is possible only when the organization structure is well-defined. This is possible through a set of formal structure.

4. Sense of security: Organizational structure clarifies the job positions. The roles assigned to every manager are clear. Co-ordination is possible. Therefore, clarity of powers helps automatically in increasing mental satisfaction and thereby a sense of security in a concern. This is very important for job-satisfaction.

5. Scope for new changes: Where the roles and activities to be performed are clear and every person gets independence in his working, this provides enough space to a manager to develop his talents and flourish his knowledge. A manager gets ready for taking independent decisions which can be a road or path to adoption of new techniques of production. This scope for bringing new changes into the running of an enterprise is possible only through a set of organizational structure.

6. Clarity in working relationships: Organising function clearly defines the authority or power enjoyed by every individual. Everyone knows very clearly to whom he can give orders and from whom he has to receive orders. This also helps in the creation of managerial hierarchy.

7. Optimum utilization of resources: Organising helps in proper usage of men, material and money. Jobs are properly assigned, so there is no confusion or duplication. This helps in minimizing the wastage of resources.

8. Adaptation to change: Organising function helps in the creation of different departments and managerial hierarchy. This structure helps in adapting and adjusting to the activities in response to the changes in the external environment.

9. Effective administration: Organizing function provides a clear description of jobs, there is no confusion and duplication. Every individual knows his role and position very clearly. Thus, management becomes easy and this brings effectiveness in administration.

10. Development of Personnel: through organizing structure, managers reduce their workload by assigning their routine jobs to their subordinates. This allows the manager to develop new methods and ways to perform the job. This also gives them the opportunity and time to innovate and thus help in strengthening the company's competitive position. Such delegation also develops the subordinate by giving them the ability to handle challenges and to realize their full potential.

7.3.2 PRINCIPLES OF ORGANIZING

The organizing process can be done efficiently if the managers have certain guidelines so that they can take decisions and can act. To organize in an effective manner, the following principles of organization can be used by a manager.

1. Principle of Specialization: According to the principle, the whole work of a concern should be divided amongst the subordinates on the basis of qualifications, abilities and skills. It is through division of work specialization can be achieved which results in effective organization.

2. Principle of Functional Definition: According to this principle, all the functions in a concern should be completely and clearly defined to the managers and subordinates. This can be done by clearly defining the duties, responsibilities, authority and relationships of people towards each other. Clarifications in authority- responsibility relationships help in achieving co-ordination and thereby organization can take place effectively. For example, the primary functions of production, marketing and finance and the authority responsibility relationships in these departments should be clearly defined to every person attached to that department. Clarification in the authority-responsibility relationship helps in efficient organization.

3. Principles of Span of Control / Supervision: According to this principle, 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. **Wide span of control-** It is one in which a manager can supervise and control effectively a large group of persons 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

According to this span, one manager can effectively and efficiently handle a large number of subordinates at one time.

b. **Narrow span of control-** According to this span, the work and authority is divided amongst many subordinates and a manager doesn't supervises 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.

Factors influencing Span of Control

- **Managerial abilities-** In the concerns where managers are capable, qualified and experienced, wide span of control is always helpful.
- **Competence of subordinates-** Where the subordinates are capable and competent and their understanding levels are proper, the subordinates tend to very frequently visit the superiors for solving their problems. In such cases, the manager can handle large number of employees. Hence wide span is suitable.
- **Nature of work-** If the work is of repetitive nature, wide span of supervision is more helpful. On the other hand, if work requires mental skill or craftsmanship, tight control and supervision is required in which narrow span is more helpful.
- **Delegation of authority-** When the work is delegated to lower levels in an efficient and proper way, confusions are less and congeniality of the environment can be maintained. In such cases, wide span of control is suitable and the supervisors can manage and control large number of subordinates at one time.
- **Degree of decentralization-** Decentralization is done in order to achieve specialization in which authority is shared by many people and managers at different levels. In such cases, a tall structure is helpful. There are certain concerns where decentralization is done in very effective way which results in direct and personal communication between superiors and subordinates and there the superiors can manage large number of subordinates very easily. In such cases, wide span again helps.

4. Principle of Scalar Chain: Scalar chain is a chain of command or authority which flows from top to bottom. With a chain of authority available, wastages of resources are minimized, communication is affected, overlapping of work is avoided and easy organization takes place. A scalar chain of command facilitates work flow in an organization which helps in achievement of effective results. As the authority flows from top to bottom, it clarifies the authority positions to managers at all level and that facilitates effective organization.

5. Principle of Unity of Command: It implies one subordinate-one superior relationship. Every subordinate is answerable and accountable to one boss at one time. This helps in avoiding communication gaps and feedback and response is prompt. Unity of command also helps in effective combination of resources, that is, physical, financial resources which helps in easy co-ordination and, therefore, effective organization.

7.4 ORGANISATIONAL STRUCTURE

An *organizational structure* is defined as 'Network of job positions, responsibilities and authority at different levels'.

Organizational structure refers to the way that an organization arranges people and jobs so that its work can be performed and its goals can be met. When a work group is very small and face-to-face communication is frequent, formal structure may be unnecessary, but in a larger organization decisions have to be made about the delegation of various tasks. Thus, procedures are established that assign responsibilities for various functions. It is these decisions that determine the organizational structure.

An organisation structure specifies the various job tasks and shows how the same are formally divided, grouped, and coordinated. It provides an appropriate framework for authority relationship. It indicates the hierarchy of authority and the reporting relationships. It is a means to help the management to achieve the organisational objectives.

An organizational structure consists of activities such as task allocation, coordination and supervision, which are directed towards the achievement of organizational aims. It can also be considered as the viewing glass or perspective through which individuals see their organization and its environment. Organising structure is the outcome of organizing process. Whenever an organization grows in size and complexity, an adequate structure is needed. Structure clearly defines the job positions, authority, and responsibilities of different employees.

An organization can be structured in many different ways, depending on their objectives. 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.

Peter Drucker clearly says, 'An organizational structure is an indispensable means; and the wrong structure will seriously impair business performance and even destroy it.'

As the objectives of the organisation are derived from the overall strategy of the organisation, it is logical that an organisation structure is closely linked to its strategy. As such, if the management makes a significant change in the organisation's strategy, the organisation's structure needs to be modified to accommodate and support the change. There is considerable evidence to

indicate that choice of an organisation's strategy (stability strategy/growth strategy) is determined by three basic factors (contingency factors): (i) the organisation's size, (ii) technology used by the organisation (for converting the financial, human and physical resources into products and services), and (iii) environmental uncertainty (external environment). Information technology and globalisation have had a tremendous impact on organisation structures. Many of today's managers realise that the traditional organisation structures based on bureaucratic principles no longer provide solutions to the challenges posed by the new paradigm environment. The needs of flexibility, adaptability to change, creativity, innovation, knowledge and the ability to overcome environmental uncertainties are among the biggest challenges facing many of the organisations. The result has been that the vertical (tall) structures are being replaced by horizontal (flat) structures, the organisations with mechanistic structures are being transformed into ones with organic structure. These shifts reflect a clear departure from the practice of centralised decision-making to decentralised decision-making, from command to consensus based self-control. The new forms of organisation structure that have emerged are: taskforce, network, virtual, boundary less structures. The salient features of these and other organisation structures are briefly described here to present an overview of different types of organisation structure and their suitability under different situations.

7.4.1 Benefits of a good organizational structure

1. It allows correlation and coordination among human, physical resources and enables the business to achieve its goals.
2. It ensures a smooth flow of communication and better control over the operations.
3. It provides the framework within which an organization functions while coordinating the responsibilities of individuals and departments.

The span of management, to a large extent gives shape to organizational structure. It refers to the number of subordinates that can be effectively managed by a superior. This determines the levels of management in the structure. The span of control depends upon:

- Capacity and intelligence level of managers.
- The trust of managers in their employees.
- The employees' intelligence level.
- Nature of job (routine or specialized).

7.4.2 Types of organizational structure

Line Organisation: Line organisation is the simplest form of organisation structure. Line organization is the oldest and simplest method of administrative organization. According to this type of organization, the authority flows from top

to bottom in a concern. The line of command is carried out from top to bottom. This is the reason for calling this organization as scalar organization which means scalar chain of command is a part and parcel of this type of administrative organization. In this type of organization, the line of command flows on an even basis without any gaps in communication and co- ordination taking place. The line structure is based on the scalar principle, which states that authority and responsibility should flow in a direct line vertically from the highest level of the organisation to the lowest level. The primary emphasis in the line organisation is upon the superior-subordinate relationship. Every person in the organisation is in the direct chain of command. (Figure 1).

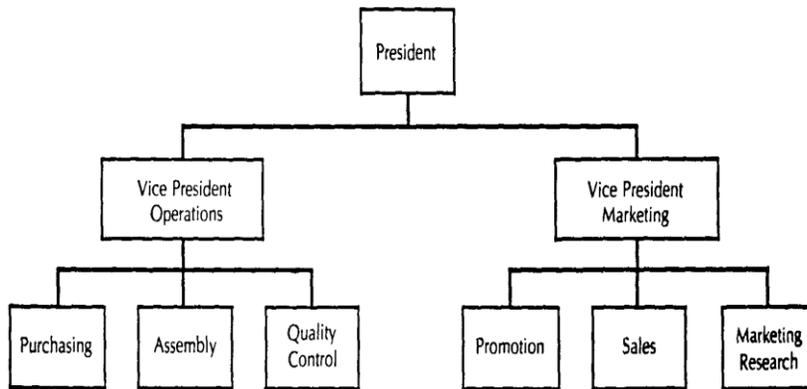


Figure 1: Line organization

Features of Line Organization

1. It is the simplest form of organization.
2. Line of authority flows from top to bottom.
3. Specialized and supportive services do not take place in these organizations.
4. Unified control by the line officers can be maintained since they can independently take decisions in their areas and spheres.
5. This kind of organization always helps in bringing efficiency in communication and bringing stability to a concern.

Merits of Line Organization

1. **Simplest-** It is the most simple and oldest method of administration.
2. **Unity of Command-** In these organizations, superior-subordinate relationship is maintained and scalar chain of command flows from top to bottom.
3. **Better discipline-** The control is unified and concentrates on one person and therefore, he can independently make decisions of his own. Unified control ensures better discipline.

4. **Fixed responsibility-** In this type of organization, every line executive has got fixed authority, power and fixed responsibility attached to every authority.
5. **Flexibility-** There is a co-ordination between the top most authority and bottom line authority. Since the authority relationships are clear, line officials are independent and can flexibly take the decision. This flexibility gives satisfaction of line executives.
6. **Prompt decision-** Due to the factors of fixed responsibility and unity of command, the officials can take prompt decision.

Demerits of Line Organization

1. **Over reliance-** The line executive's decisions are implemented to the bottom. This results in over-relying on the line officials.
2. **Lack of specialization-** A line organization flows in a scalar chain from top to bottom and there is no scope for specialized functions. For example, expert advices whatever decisions are taken by line managers are implemented in the same way.
3. **Inadequate communication-** The policies and strategies which are framed by the top authority are carried out in the same way. This leaves no scope for communication from the other end. The complaints and suggestions of lower authority are not communicated back to the top authority. So there is one way communication.
4. **Lack of Co-ordination-** Whatever decisions are taken by the line officials, in certain situations wrong decisions, are carried down and implemented in the same way. Therefore, the degree of effective co-ordination is less.
5. **Authority leadership-** The line officials have tendency to misuse their authority positions. This leads to autocratic leadership and monopoly in the concern.

Line and Staff Organisation

Line and staff organization is a modification of line organization and it is more complex than line organization. According to this administrative organization, specialized and supportive activities are attached to the line of command by appointing staff supervisors and staff specialists who are attached to the line authority. The power of command always remains with the line executives and staff supervisors guide, advice and counsel the line executives. Personal Secretary to the Managing Director is a staff official.

Most business organisations, except the very small, have this type of structure. As the organisations have grown complex, the problems of line executives have become sufficiently complicated. The line executives being generalists need the advice of personnel with specialised knowledge and functions to tackle these problems. For this purpose, the staff positions are

created in the organisation. In line and staff organisation, the line authority remains the same as it does in the line organisation i.e. the authority flows from top to bottom; and the line executives perform the major functions; the staff functionaries support and advise the line executives. For example, for sound management of human resources, the line managers are provided specialised assistance through personnel/Human Resource managers. As staff functionaries are employed to perform supportive role, they do not have any power of command in the organisation (Figure 2).



Figure 2: Line and Staff Organisation

Features of Line and Staff Organization

1. There are two types of staff :
 - a. Staff Assistants- P.A. to Managing Director, Secretary to Marketing Manager.
 - b. Staff Supervisor- Operation Control Manager, Quality Controller, PRO
2. Line and Staff Organization is a compromise of line organization. It is more complex than line concern.
3. Division of work and specialization takes place in line and staff organization.
4. The whole organization is divided into different functional areas to which staff specialists are attached.
5. Efficiency can be achieved through the features of specialization.
6. There are two lines of authority which flow at one time in a concern :
 - a. Line Authority
 - b. Staff Authority
7. Power of command remains with the line executive and staff serves only as counsellors.

Merits of Line and Staff Organization

1. **Relief to line of executives-** In a line and staff organization, the advice and counseling which is provided to the line executives divides the work between the two. The line executive can concentrate on the execution of plans and they get relieved of dividing their attention to many areas.
2. **Expert advice-** The line and staff organization facilitates expert advice to the line executive at the time of need. The planning and investigation which is related to different matters can be done by the staff specialist and line officers can concentrate on execution of plans.
3. **Benefit of Specialization-** Line and staff through division of whole concern into two types of authority divides the enterprise into parts and functional areas. This way every officer or official can concentrate in its own area.
4. **Better co-ordination-** Line and staff organization through specialization is able to provide better decision making and concentration remains in few hands. This feature helps in bringing co- ordination in work as every official is concentrating in their own area.
5. **Benefits of Research and Development-** Through the advice of specialized staff, the line executives, and the line executives get time to execute plans by taking productive decisions which are helpful for a concern. This gives a wide scope to the line executive to bring innovations and go for research work in those areas. This is possible due to the presence of staff specialists.
6. **Training-** Due to the presence of staff specialists and their expert advice serves as ground for training to line officials. Line executives can give due concentration to their decision making. This in itself is a training ground for them.
7. **Balanced decisions-** The factor of specialization which is achieved by line staff helps in bringing co- ordination. This relationship automatically ends up the line official to take better and balanced decision.
8. **Unity of action-** Unity of action is a result of unified control. Control and its effectively take place when co- ordination is present in the concern. In the line and staff authority all the officials have got independence to make decisions. This serves as effective control in the whole enterprise.

Demerits of Line and Staff Organization

1. **Lack of understanding-** In a line and staff organization, there are two authority flowing at one time. This results in the confusion between the two. As a result, the workers are not able to understand as to who is their commanding authority. Hence the problem of understanding can be a hurdle in effective running.
2. **Lack of sound advice-** The line official get used to the expertise advice of the staff. At times the staff specialists also provide wrong decisions which the

line executives have to consider. This can affect the efficient running of the enterprise.

3. **Line and staff conflicts-** Line and staff are two authorities which are flowing at the same time. The factors of designations, status influence sentiments which are related to their relation, can pose a distress on the minds of the employees. This leads to minimizing of co- ordination which hampers a concern's working.

4. **Costly-** In line and staff concern, the concerns have to maintain the high remuneration of staff specialist. This proves to be costly for a concern with limited finance.

5. **Assumption of authority-** The power of concern is with the line official but the staff dislikes it as they are the one more in mental work.

6. **Staff steals the show-** In a line and staff concern, the higher returns are considered to be a product of staff advice and counselling. The line officials feel dissatisfied and a feeling of distress enters a concern. The satisfaction of line officials is very important for effective results.

Functional Structure

This is the most widely used form of organisation structure because of its simple logic and commonsense appeal. Here the tasks are grouped together on the basis of common functions. So, all production activities or all financial activities are grouped into a single function which undertakes all the tasks required of that function. A typical chart of a functional organisation is presented in Figure 3.

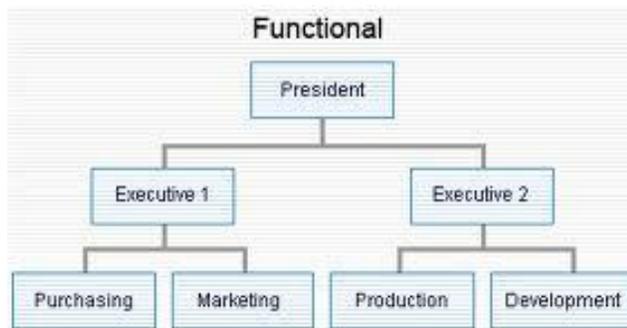


Figure 3: Functional structure

The functional structure suits best to the small to medium organisations producing one or a few products, where the goals of the organisation emphasise functional specialisation, efficiency and quality. When the activities or jobs are grouped keeping in mind the functions to be performed then it is called functional structure. These functions are organized in to separate departments. For example, in a manufacturing concern division of work into key functions will include production, purchase, marketing, and personnel.

Functional organization has been divided to put the specialists in the top position throughout the enterprise. This is an organization in which we can define as a system in which functional department are created to deal with the problems of business at various levels. Functional authority remains confined to functional guidance to different departments. This helps in maintaining quality and uniformity of performance of different functions throughout the enterprise.

The concept of Functional organization was suggested by F.W. Taylor who recommended the appointment of specialists at important positions. For example, the functional head and Marketing Director directs the subordinates throughout the organization in his particular area. This means that subordinates receives orders from several specialists, managers working above them.

Features of Functional Organization

1. The entire organizational activities are divided into specific functions such as operations, finance, marketing and personal relations.
2. Complex form of administrative organization compared to the other two.
3. Three authorities exist- Line, staff and function.
4. Each functional area is put under the charge of functional specialists and he has got the authority to give all decisions regarding the function whenever the function is performed throughout the enterprise.
5. Principle of unity of command does not apply to such organization as it is present in line organization.

Merits of Functional Organization

1. **Specialization-** Better division of labour takes place which results in specialization of function and its consequent benefit.
2. **Effective Control-** Management control is simplified as the mental functions are separated from manual functions. Checks and balances keep the authority within certain limits. Specialists may be asked to judge the performance of various sections.
3. **Efficiency-** Greater efficiency is achieved because of every function performing a limited number of functions.
4. **Economy-** Specialization compiled with standardization facilitates maximum production and economical costs.
5. **Expansion-** Expert knowledge of functional manager facilitates better control and supervision.
6. **Easy supervision-** Since the tasks to be done in one department are of similar nature, it becomes easy for the supervisor to guide and supervise the employees performing the jobs.
7. **Easy coordination-** Similarity of tasks being performed help in promoting control and coordination within the departments.

8. **Effective training-** Training of employees become easy as focus is only on a limited range of skills.

Demerits of Functional Organization

1. **Confusion-** The functional system is quite complicated to put into operation, especially when it is carried out at low levels. Therefore, co-ordination becomes difficult.
2. **Lack of Co- ordination-** Disciplinary control becomes weak as a worker is commanded not by one person but a large number of people. Thus, there is no unity of command.
3. **Difficulty in fixing responsibility-** Because of multiple authority, it is difficult to fix responsibility.
4. **Conflicts-** There may be conflicts among the supervisory staff of equal ranks. They may not agree on certain issues.
5. **Costly-** Maintenance of specialist’s staff of the highest order is expensive for a concern.

Divisional Structure

This form of organisation 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 organisation structure. As such, within each of these little independent units, we find all important functions viz. production, marketing, finance and human resources. The organisation structure of a large multi-product pharmaceutical company is illustrated in Figure 4.

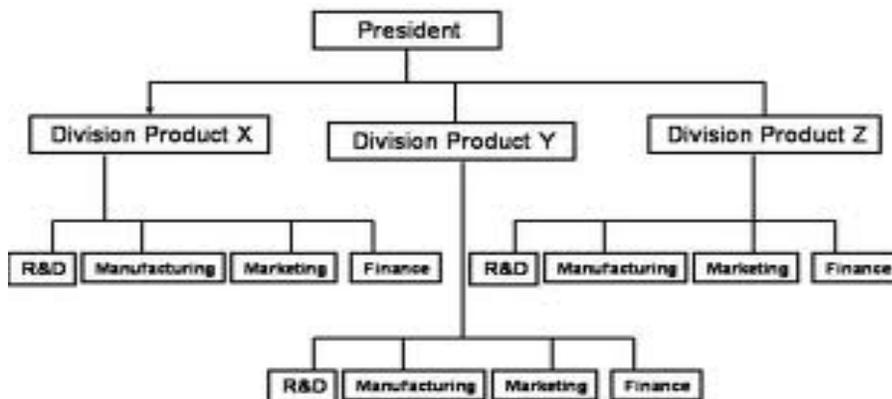


Figure 4: Divisional Organisational Structure

An organization which is very large in size and is producing more than one product, they need to evolve a design to cope with the complexity. The activities related to one product are grouped under one division. The organizational structure consists of separate divisions, each such division has its

own manager. Within each division, functions like production, marketing, finance etc. are performed.

In other words, each division tends to adopt a functional structure. However, functions may vary across divisions in accordance to their product line.

Merits of divisional structure

1. Development of personnel: All activities related to one type of product are grouped under one department only. This helps in development of varied skills in the head and prepares him for a higher post.

2. Accountability: In this type of structure, the performance of each department can be easily assessed. It also helps in fixation of responsibility for poor performance so that appropriate remedial action can be taken.

3. Fast decision making: Each division functions independently and so decisions are much faster. This also promotes flexibility and initiative.

4. Expansion and growth: New departments can be easily added without disturbing the existing departments.

Demerits of Divisional structure

1. There may be a conflict among different divisions on allocation of resources. A particular division may seek to maximize profits at the cost of others.

2. Each department requires all the resources to work as an independent unit. This increases cost as there may be duplication of activities across products.

3. The divisional heads focus only on their product. They may fail to identify themselves as a part of the common organization and develop divisional conflicts, ignoring organizational interests.

Formal and Informal organization

When the managers are carrying on the organizing process then as a result, an organizational structure is created to achieve systematic working and efficient utilization of resources. This type of structure is known as formal organizational structure. This structure clearly spells out the job, authority, and responsibility assigned to each individual, the superior subordinate relationship and their designations. Features of formal structure are:

1. This structure is created deliberately created by the process of organizing.

2. The purpose of the structure is to achieve organizational goals.

3. It gives more emphasis to work than to interpersonal relationships among employees.

4. Each individual is assigned a specific job and a fixed authority. Various job positions and their interrelationships are clearly defined. This clarifies who is to report to whom.

5. It results into the creation of a scalar chain. Efforts if different departments are coordinated, interlinked and integrated.

Merits of formal structure are:

1. It helps in effective accomplishment of goals by clearly defining the job role of each employee.
2. It is easy to fix responsibility as mutual relationships are clearly defined.
3. There is no overlapping or duplication of work as work is systematically divided among various departments and individuals.
4. Unity of command is maintained through an established scalar chain.
5. It provides stability to the organization since the behaviour of members can be fairly predicted.

Demerits of formal structure are:

1. Because of scalar chain, communication is generally slow, leading to delay in action.
2. It does not give importance to the social and psychological needs of the employees. This may lead to demotivation.
3. It places more emphasis on structure and work, and so it ignores human relations, creativity and talent.

In the formal structure, individuals are assigned certain job positions. While working on these job positions, the individuals interact with each other and develop some social and friendly relations in the organization. This network of social and friendly groups forms another structure in the organization which is called the informal structure. Informal structure gets created automatically and spontaneously for getting psychological satisfaction. However, the existence of such organization depends upon the existence of formal structure. So, if there is no formal structure, there will be no job positions, there will be no people working on these job positions, and there will be no informal structure.

Features of informal structure are:

1. It gets created automatically without any deliberate efforts by the management.
2. The existence depends upon formal organization. It originates from within formal organization as a result of personal interactions among employees.
3. It does not follow any fixed path of authority or communication. So there is no specific direction of flow of information.
4. There are no officially laid down norms of behaviour. There is no definite structure. The source of information cannot be known.

Merits of Informal structure:

1. Informal communication does not follow scalar chain and so there can be faster spread of communication.
2. It helps to fulfil the social needs of members and gives them a sense of belongingness and motivation.

3. It helps the top level manager to know the real feedback of employees. This information can be made use of to fulfil organizational objectives.

Demerits of Informal structure

1. It may sometimes work against the interests of formal organization and spread rumors.
2. Sometimes the informal structure may oppose the policies and changes of management, and then it becomes very difficult to implement them in organization.
3. It may force the members to follow group norms. This may be harmful to the interest of the organization.

Hybrid Structure

The *hybrid form* combines features of both functional and divisional forms. When an organisation starts to get very large, it establishes some self-contained units. Functions that are considered important to each product are decentralised to the units; however, some functions like finance and accounting are centralised at headquarters for practical reasons (Figure 5).

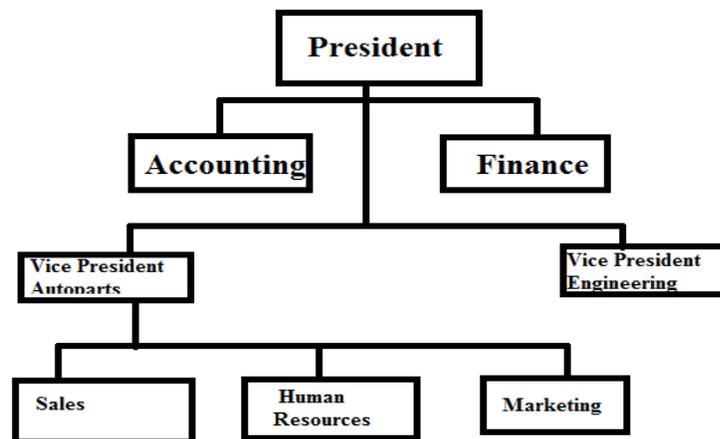


Figure 5: A Hybrid Organisation Structure

The functional part of the organisation is reflected in the departments centralised at the corporate level. However, each of the product divisions has specialists in functional areas for necessary assistance.

Merits of hybrid structure are:

1. The overall organisation enjoys the benefits of both functional and product (decentralised) structures.
2. It provides the opportunity to improve coordination both within and among divisions.
3. It helps in proper alignment of corporate and divisional goals.

4. It enables the organisation to pursue an adaptive strategy within the product divisions while at the same time achieving efficiency in the functional departments.

Demerits of hybrid structure are:

1. It often leads to excessive duplication of activities between functions and divisions.

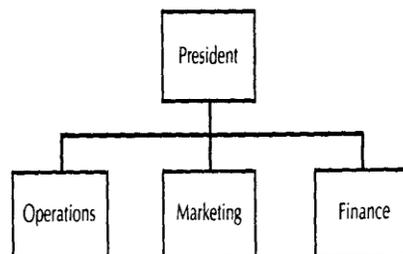
2. Another disadvantage is its tendency to create conflict between headquarters and divisional functions.

7.5 DEPARTMENTALIZATION

Grouping related functions into manageable units to achieve the objectives of the enterprise in the most efficient and effective manner is departmentalization. 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.

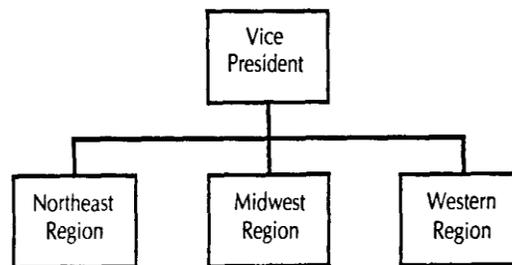
7.5.1 Functional Departmentalization

Every organization of a given type must perform certain jobs in order to do its work. For example, key functions of a manufacturing company include production, purchasing, marketing, accounting, and personnel. The functions of a hospital include surgery, psychiatry, nursing, housekeeping, and billing. Using such functions as the basis for structuring the organization may, in some instances, have the advantage of efficiency. Grouping jobs that require the same knowledge, skills, and resources allows them to be done efficiently and promotes the development of greater expertise. A disadvantage of functional groupings is that people with the same skills and knowledge may develop a narrow departmental focus and have difficulty appreciating any other view of what is important to the organization; in this case, organizational goals may be sacrificed in favor of departmental goals. In addition, coordination of work across functional boundaries can become a difficult management challenge, especially as the organization grows in size and spreads to multiple geographical locations.



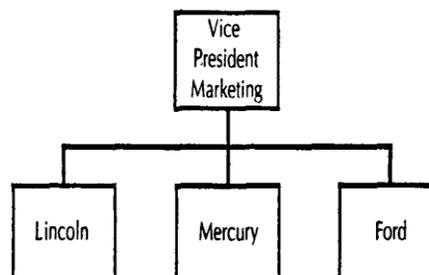
7.5.2 Geographic Departmentalization

Organizations that are spread over a wide area may find advantages in organizing along geographic lines so that all the activities performed in a region are managed together. In a large organization, simple physical separation makes centralized coordination more difficult. Also, important characteristics of a region may make it advantageous to promote a local focus. For example, marketing a product in Western Europe may have different requirements than marketing the same product in Southeast Asia. Companies that market products globally sometimes adopt a geographic structure. In addition, experience gained in a regional division is often excellent training for management at higher levels.



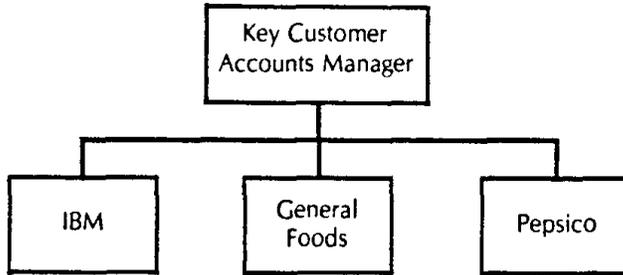
7.5.3 Product Departmentalization

Large, diversified companies are often organized according to product. All the activities necessary to produce and market a product or group of similar products are grouped together. In such an arrangement, the top manager of the product group typically has considerable autonomy over the operation. The advantage of this type of structure is that the personnel in the group can focus on the particular needs of their product line and become experts in its development, production, and distribution. A disadvantage, at least in terms of larger organizations, is the duplication of resources. Each product group requires most of the functional areas such as finance, marketing, production, and other functions. The top leadership of the organization must decide how much redundancy it can afford.



7.5.4 Customer/Market Departmentalization

An organization may find it advantageous to organize according to the types of customers it serves. For example, a distribution company that sells to consumers, government clients, large businesses, and small businesses may decide to base its primary divisions on these different markets. Its personnel can then become proficient in meeting the needs of these different customers. In the same way, an organization that provides services such as accounting or consulting may group its personnel according to these types of customers.



7.6 SUMMARY

In this unit, we have discussed the concept and importance of organising. Organizing is the function of management which follows planning. It is a function in which the synchronization and combination of human, physical and financial resources takes place. All the three resources are important to get results. When two or more people work together to achieve a group result, it is an organization. Therefore, organizational function helps in achievement of results which in fact is important for the functioning of a concern. After the objectives of an organization are established, the functions that must be performed are determined. Personnel requirements are assessed and the physical resources needed to accomplish the objectives determined. These elements must then be coordinated into a structural design that will help achieve the objectives. The framework for organizing the formal relationships of responsibility, authority, and accountability is known as the organizational structure. It provides the means for clarifying and communicating the lines of responsibility, authority, and accountability. There are a number of variations of organizational structure, including line, line and staff, and committee. Organizational structures shall be adaptive to process requirements, aiming to optimize the ratio of effort and input to output. Finally, appropriate responsibilities are assigned. Determining the functions to be performed involves consideration of division of labor; this is usually accomplished by a process of departmentalization. The primary forms of departmentalization are by function, process, product, market, customer, geographical area, or some combination of these forms.

7.7 GLOSSARY

- **Organizing** is a function by which the concern is able to define the role positions, the jobs related and the coordination between authority and responsibility.
- **Organizational structure** refers to the way that an organization arranges people and jobs so that its work can be performed and its goals can be met. When a work group is very small and face-to-face communication is frequent, formal structure may be unnecessary, but in a larger organization decisions have to be made about the delegation of various tasks
- **Line Organization** is the simplest organizational structure services including direct vertical links between the different levels of the scalar chain.
- **Line and Staff Organization** is developed when staff specialists are added to a line organization to "advise; "serve;" or "support" the line in some manner.
- **Functional structure** groups jobs into units based upon similarity of expertise, skills, and work activities, e.g., marketing, accounting.
- **Divisional structure** groups jobs into units according to the similarity of products or markets.
- **Hybrid Structure** combines aspects of both the functional and divisional forms, with some jobs grouped into departments by functions and other grouped by products or markets.
- **Departmentalization** is the grouping of related functions into manageable units to achieve the objectives of the enterprise in the most efficient and effective manner.

7.8 ANSWER TO CHECK YOUR PROGRESS / POSSIBLE ANSWERS TO SAQ

Organizations are experimenting with different approaches to organizational structure and design. Organizational structure can play an important role in an organization's success. The process of Organizing—the second management functions — is how an organization's structure is created. Managers are seeking structural designs that will best support and allow employees to effectively and efficiently do their work. Organizing is the process of creating an organization's structure. Organizing is deciding where decisions will be made, who will do what jobs and tasks, and who will work for whom.

Organization structure is the formal pattern of interactions and coordination designed by management to link the tasks of individuals and groups in achieving organizational goals. An **organizational structure** is the formal framework by which job tasks are divided, grouped, and coordinated.

The line is the simplest organizational structure. It is the "doing" function, in that the work of all organizational units is directly involved in producing and

marketing the organization's goods and services. When staff specialists are added to a line organization to "advise," "serve," or "support" the line in some manner, we have a line and staff organization. Staff authority is generally limited to making recommendations to the line and contributing to the effectiveness and efficiency of the organization.

Departmentalization is the clustering of individuals into units and units into departments and larger units in order to facilitate achieving organizational goals. An organization is decentralized to the extent that decisions made at lower levels are made within a general set of policies, procedures, and rules, with decisions not covered left to the discretion of lower-level managers.

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7.11 TERMINAL QUESTIONS

- Q. 1 Define organising and discuss its importance in organisations.
- Q. 2 Distinguish between the functional and the divisional organisational structure.
- Q. 3 How do you differ between line and staff in organizational terms?
- Q. 4 What is a matrix structure? When is it used?
- Q. 5 What is departmentalization?
- Q. 6 What are the primary forms of departmentalization?

UNIT 8: ORGANISING, DELEGATION AND DECENTRALISATION; SPAN OF CONTROL; TYPES OF ORGANISATION

STRUCTURE

- 8.1 Introduction
- 8.2 Objectives
- 8.3 Elements of Delegation
 - 8.3.1 Decentralization
 - 8.3.2 Relation between delegation and decentralization
- 8.4 Span of Control
 - 8.4.1 Historical Discussion of Span of Control
 - 8.4.2 Span of Control and Hierarchies
 - 8.4.3 Factors that may affect Span of Control
- 8.5 Organisation
 - 8.5.1 Vertical organisation
 - 8.5.2 Horizontal organisation
 - 8.5.3 Project organisation
 - 8.5.4 Matrix organisation
 - 8.5.5 Virtual organisation
 - 8.5.6 Boundaryless organisation
 - 8.5.7 Inverted Pyramid
- 8.6 Summary
- 8.7 Glossary
- 8.8 Answer to check your progress/Possible Answers to SAQ
- 8.9 References/Bibliography
- 8.10 Suggested Readings
- 8.11 Terminal and Model Questions

8.1 INTRODUCTION

Delegation is defined as 'a process of entrusting responsibility and authority to the subordinates and creating accountability on those who are entrusted with the authority and responsibility.' Delegation means downward transfer of authority from a superior to subordinate. It is required for efficient functioning of the organization as well as enables the manager to use his time on high priority work. It helps the subordinate to satisfy his needs. However it is not the process of abdication. The manager shall still be responsible for the performance of the job assigned to him.

Moreover, the authority delegated to a person can be taken back and re-delegated to another person. Thus, irrespective of the authority delegated, the manager will still be accountable to his senior.

8.2 OBJECTIVES

After reading this unit, you should be able to:

- Explain the meaning and importance of Delegation and Decentralisation.
- Understand the concept of span of control.
- Identify the different types of organisation.

8.3 ELEMENTS OF DELEGATION

1. **Responsibility:** It means the obligation of the subordinate to properly perform the work assigned to him. The process of delegation begins when the manager passes on some of his responsibilities to his subordinates which mean that responsibility can be delegated. However, when an employee is given the responsibility of some job, he must also be given the requisite authority to carry out his job.
2. **Authority:** It means power to take decision. It also refers to the right of an individual to command his subordinates within the scope of his position. When the managers are passing their responsibilities to the subordinates, they also pass some authority matching the responsibility. However they should not pass all their authority to their subordinate.
3. **Accountability:** It implies answerability of the subordinate for accomplishment or non accomplishment of job assigned. Once, the authority has been delegated and responsibility accepted, one cannot deny accountability. Accountability can only be shared with the subordinate, it cannot be delegated and it flows upwards. It indicated that the manager must ensure proper discharge of duties by his subordinates. The subordinate is expected to explain the consequences of his actions and omissions.

Thus it can be stated that while the authority can be delegated, responsibility is assumed and accountability is imposed.

In practice, the process of management works in conjunction with the process of delegation. Since management is the process of getting results through others, delegation facilitates that process by assigning responsibilities, delegating authority, and exacting accountability by employees. The delegation process works as follows. The manager has certain defined objectives (i.e., results) to accomplish at the end of the budget period. He or she assigns the responsibilities (i.e., duties to be performed) to key employees, along with the commensurate authority to go with those responsibilities.

Thus, the accomplishment of the assigned responsibilities should equal the defined objectives. The manager then develops standards of performance

with each key employee (i.e., the conditions that should exist when a job is done well). These standards should be developed mutually to be effective. In essence, these standards of performance become the accountability of each employee for the budget period. The successful accomplishment of the standards of performance should equal the assigned responsibilities. The process continues with the appraisal of key subordinates rated against the agreed-upon standards of performance and closes with evaluation and feedback to the beginning of the next budget cycle, when the process begins all over again.

Hence, delegation is not the process of abdication. This means that accountability is absolute. It can never be passed or delegated. Even after creating accountability on subordinates, the superiors also remain answerable.

8.3.1 Decentralization

Decentralization means delegation of authority at every level. It is the even and systematic distribution of decision making authority to the lowest level of management. Under decentralization every employee working at different levels gets some share in the authority. Decentralization is a policy matter and managers plan in advance whether to go for centralized or decentralized policy.

In a *decentralised organisation*, action can be taken more quickly to solve problems, and more people provide inputs into decisions. For firms having a number of plants, which are located at different places, decentralisation is more beneficial. With most of the large companies now preferring to make organisations more flexible and responsive, there has been a marked change towards decentralised decision making.

Main advantages of decentralization:

1. It reduces the burden of the top management by freeing them from many operational decisions, and enables them to concentrate on their strategic responsibilities; and
2. It can contribute to staff motivation by enabling middle and lower level managements to get a taste of responsibility, and by encouraging the use of knowledge, innovation, and initiative by all employees.

Main disadvantages of decentralization:

1. It requires greater coordination by senior management to ensure that individual units in the organisation are not working against the interests of the whole organisation;
2. It can lead to inconsistency of treatment of customers, clients or public, especially in service industries; and
3. Decentralisation does require a plentiful supply of capable and well-motivated managers, who are able to cope with increased responsibility which decentralisation brings about.

8.3.2 Relation between delegation and decentralization

Decentralisation is the extension of delegation. In delegation, we multiply the authority by two whereas in decentralization, the authority is multiplied by many because systematic delegation taking place at every level will result in evenly distribution of authority and responsibility at every level and result in decentralisation. If delegation is restricted to certain levels only then there will be no complete decentralization also. For example if the director gives the responsibility to production head to complete the target of 50,000 units per annum, and authorize him to hire the required workers, decide their salaries and working conditions.

The production head further shares his authority and responsibility with production manager to achieve the target and select the workers. The production manager in turn shares with the supervisor to select the workers. This sharing of authority and responsibility between the director, production head, production manager and the supervisor will result in systematic distribution of authority at every level automatically. Thus we say that delegation leads to 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

Decentralization can be called as extension of delegation. When delegation of authority is done to the fullest possible extent, it gives use to decentralization

8.4 SPAN OF CONTROL

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 one'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.

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 term 'Span of Management' suits as the most appropriate name, since control and supervision are the elements of management.

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.*"

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."

8.4.1 Historical Discussion of Span of Control

A small, or narrow, span of control results in each manager supervising a small number of employees, while a wide span of management occurs when more subordinates report directly to a given manager. A small span of management would make it necessary to have more managers and more layers of management to oversee the same number of operative employees than would be necessary for an organization using a wider span of management. The narrower span of management would result in more layers of management and slower communications between lower level employees and top level managers of the firm. Recent moves to downsize organizations and to eliminate unnecessary positions has resulted in many organizations moving to wider spans of management and the elimination of layers of middle-level managers.

An argument for a narrow span of control was presented by V.A. Gaicunas, who developed a formula showing that an arithmetic increase in the number of a manager's subordinates resulted in a geometric increase in the

number of subordinate relationships that a manager had to manage. According to Gaicunas, managers must manage not only one-to-one direct reporting relationships, but also relationships with various groups of subordinates and the relationships that exist between and among individual subordinates. The formula is shown below: where I is the total number of interactions and N is the number of subordinates.

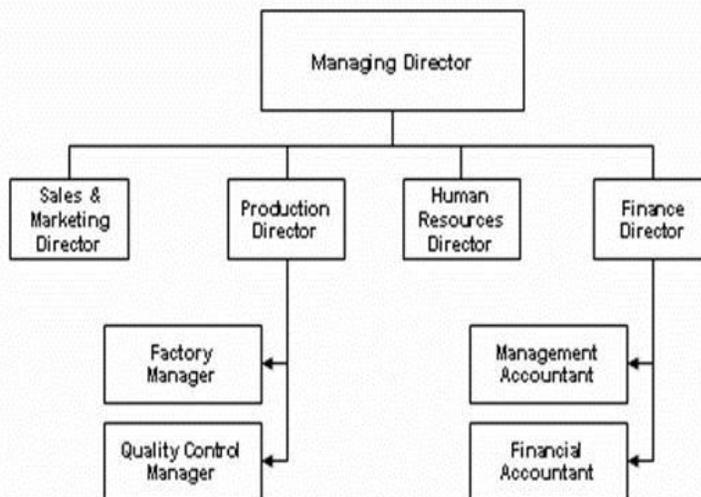
Therefore, if a manager has two subordinates, there are 6 potential relationships to manage. However, if the manager's subordinates are increased to three, then the number of relationships is increased to 18. As the number of relationships increased, Gaicunas argued, the sheer number of interactions would exceed the abilities of the manager.

8.4.2 Span of Control and Hierarchies

In a business of more than one person, unless the business has equal partners, then there are managers and subordinates. Subordinates are workers controlled by the manager.

A hierarchy describes the structure of the management of the business, from the top of the company – the managing director, through to the shop floor worker, who reports to their foreman, in a manufacturing business.

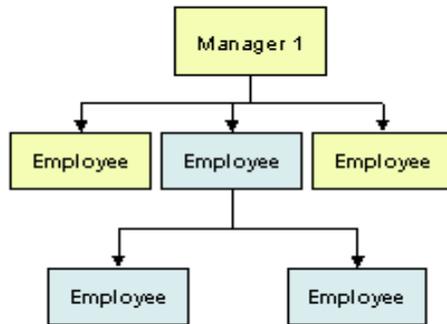
The hierarchy of a business is usually best understood by drawing an organisation chart showing which levels of management and employees report to whom. An example of a hierarchy is shown in the diagram below



A span of control is the number of people who report to one manager in a hierarchy. The more people under the control of one manager - the wider the span of control. Less means a narrower span of control.

An example of a narrow span of control is shown in the diagram below:

Example of a Narrow Span of Control



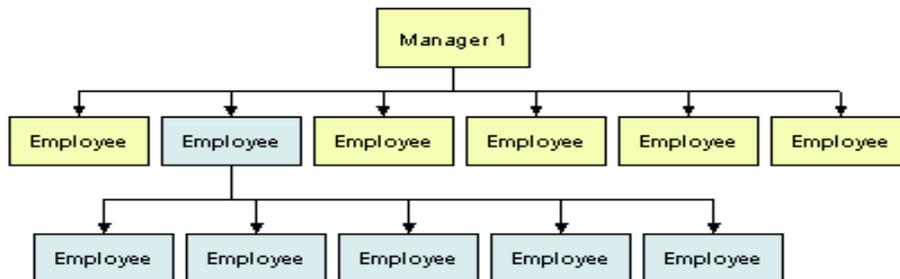
Each employee holding a position of authority is responsible for at least two others – i.e. the span of control is at least 2

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

An example of a wide span of control is shown in the diagram below:

Example of a Wide Span of Control



Each employee holding a position of authority is responsible for at least five others – i.e. the span of control is at least 5

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.

The width of the span of control depends on:

The type of product being made – products which are easy to make or deliver will need less supervision and so can have a wider span of control

Skills of managers and workers – a more skilful workforce can operate with a wider span of control because they will need less supervision. A more skilful manager can control a greater number of staff.

A tall organisation has a larger number of managers with a narrow span of control whilst a flat organisation has few managers with a wide span of control. A tall organisation can suffer from having too many managers (a huge expense) and decisions can take a long time to reach the bottom of the hierarchy.

But, a tall organisation can provide good opportunities for promotion and the manager does not have to spend so much time managing the staff Chain of command is the line on which orders and decisions are passed down from top to bottom of the hierarchy. In a hierarchy the chain of command means that a production manager may be higher up the hierarchy, but will not be able to tell a marketing person what to do.

The advantages of hierarchies are:

- Helps create a clear communication line between the top and bottom of the business – this improves co-ordination and motivation since employees know what is expected of them and when.
- Hierarchies create departments and departments form teams. There are motivational advantages of working in teams.

The disadvantages of hierarchies are:

- The formation of departments can mean that:
- Departments work for themselves and not the greater good of the business.
- Departments do not see the whole picture in making decisions.
- Hierarchies can be inflexible and difficult to adjust, especially when businesses need to adapt to changing markets – remember employees do not tend to react well to change.

Researchers generally argue that a small span of management and a "tall" organization structure will be more expensive to operate because of the large number of managers and it may have communication problems resulting from the multiple levels of management. Such organizations are often seen as well suited for a stable, certain type of environment. A "flat" organization design resulting from a wider span of management would require managers to assume more administrative duties since those activities would be shared by fewer employees. It will also result in more employees reporting to each manager, increasing the managers' supervisory responsibilities.

However, some research also suggests the wider span of management may cause employees to feel greater ownership of their work and increase their

motivation, morale, and productivity. This type of organization design is often seen as effective in more uncertain environments.

8.4.3 Factors that may affect Span of Control

While early discussions of span of control often centred on pinpointing the optimal number of subordinates, a number of factors may influence the span of control most appropriate for a given management position. Assuming that all other aspects of a manager's job are the same, these factors would likely alter the span of management as follows:

1. Job complexity. Subordinate jobs that are complex, ambiguous, dynamic or otherwise complicated will likely require more management involvement and a narrower span of management.
2. Similarity of subordinate jobs. The more similar and routine the tasks that subordinates are performing, the easier it is for a manager to supervise employees and the wider the span of management that will likely be effective.
3. Physical proximity of subordinates. The more geographically dispersed a group of subordinates the more difficult it is for a manager to be in regular contact with them and the fewer employees a manager could reasonably oversee, resulting in a narrower span of management.
4. Abilities of employees. Managers who supervise employees that lack ability, motivation, or confidence will have to spend more time with each employee. The result will be that the manager cannot supervise as many employees and would be most effective with a narrower span of management.
5. Abilities of the manager. Some managers are better organized, better at explaining things to subordinates, and more efficient in performing their jobs. Such managers can function effectively with a wider span of management than a less skilled manager.
6. Technology. Cell phones, email, and other forms of technology that facilitate communication and the exchange of information make it possible for managers to increase their spans of management over managers who do not have access to or who are unable to use the technology.

The trend in recent years has been to move toward wider spans of control to reduce costs, speed decision making, increase flexibility and empower employees.

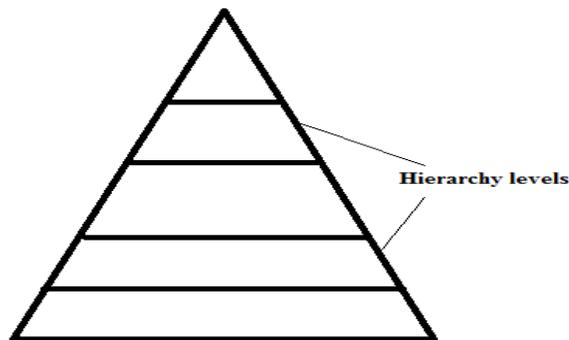
However, to avoid potential problems of wide spans of control, organizations are having to invest in training managers and employees and in technology enabling the sharing of information and enhancing communication between and among managers and employees.

8.5 TYPES OF ORGANISATION STRUCTURES

An organisation structure specifies the various job tasks and shows how the same are formally divided, grouped, and coordinated. It provides an appropriate framework for authority relationship. It indicates the hierarchy of authority and the reporting relationships. It is a means to help the management to achieve the organisational objectives.

8.5.1 Vertical Organisation

A vertical organisation is that in which the size of the hierarchical chain of command is long i.e. the number of hierarchical levels are high. As such, more people have to communicate to the top management through the intervening layers of executives.



The main **advantages** of the vertical organisation are:

1. They provide better communication of the organisation's mission, values, and goals to all employees; and
2. These organisations have the ability to sustain a very high degree of specialisation of functions and roles.

The principal **disadvantages** are:

1. Too many hierarchical levels consume more time for communication and the same may lead to delays in decision making; and
2. As the vertical structures go hand in hand with formality and standardisation, the scope for initiative and risk taking at operational levels becomes limited.

8.5.2 Horizontal Organisation

As the traditional vertical, hierarchical structures of the organisations are being considered inappropriate to the requirements of the changing environment, an increasing number of modern organisations prefer the use of horizontal structures. For example in the US, corporate giants like AT& T, General Electric, Motorola and Xerox, among other firms, have moved to the principles of the horizontal structure of organisations.

The horizontal structure facilitates cooperation, teamwork, and customer orientation rather than a functional orientation. Frank Ostroff, a McKinsey & Company consultant and his colleague Douglas Smith are given credit for developing guiding principles that describe the characteristics of the horizontal structure.

1. Horizontal structures are created around three to five core processes for the time rather than traditional departmental functions.

2. The vertical hierarchy is flattened to reduce the levels of supervision. This is done by combining the fragmented tasks, eliminating work that fails to add value, and by cutting to the minimum activities within each process.

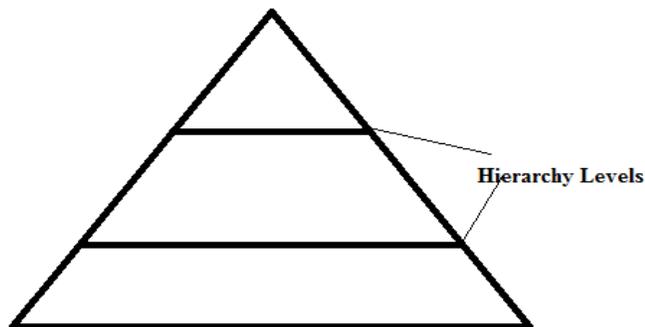
3. Multi-disciplinary/ cross functional self-managed teams (composed of personnel from different functional areas like finance, marketing, human resource, quality control and operations) are created to handle the core processes, and each team is entrusted with a core process.

4. Customer satisfaction, net profits, is the primary driver and measure of performance. As such, for horizontal structure to work, employees are brought into direct contact with customers as well as suppliers. Where relevant, customers and suppliers may be brought in as full working members of the teams in charge of the core processes.

5. All employees should be provided with all data, and they should be trained for analysing and use the data to make effective decisions as team members.

6. All employees are encouraged to develop multiple skills; and those who develop are rewarded.

7. The horizontal organisations need to build a corporate culture of openness, cooperation and collaboration.



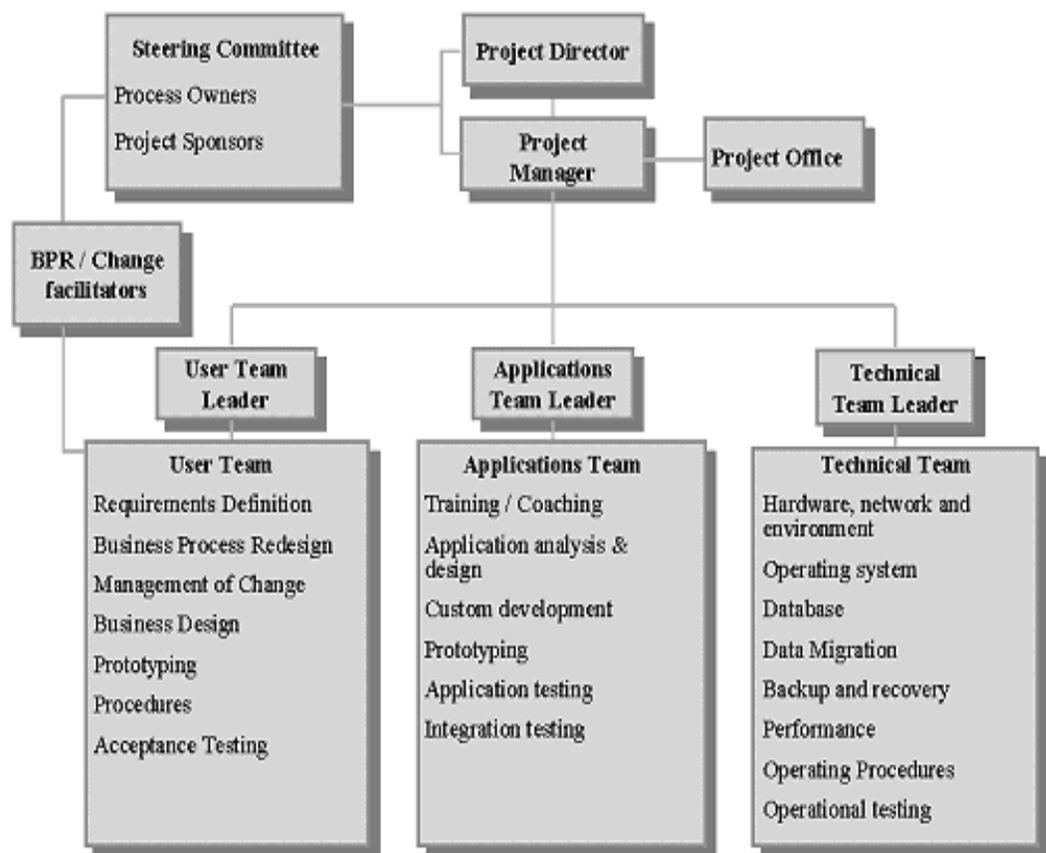
The main **advantages** of horizontal organisation are:

1. Decisions can be taken more quickly to solve problems; and
2. A horizontal structure has fewer problems of coordination.

One of the **disadvantages** of the horizontal structure is the absence of proper reporting to superiors by the subordinates because of decentralisation.

8.5.3 Project Organisation

When an organisation undertakes a big project or a number of small projects, it creates project organisation(s) for the completion of the same. This is done because the existing functional structure of the organisation may not be suitable to complete the projects which are time bound and are subject to high standards of performance as in the case of aero space and aircraft companies. A project organisation is separate from and independent of functional departments of the company. Headed by a Project Manager, every project organisation consists of a team of specialists drawn from different functional areas of the company or from outside. The size of the project team varies from one project to another. Again, within a project, the size of the group may change with the different phases of the work. A project organisation has a temporary set up, and as soon as the project is completed it will be disbanded. However, when the duration of the project is very long, the project organisation takes a permanent form and it may become a regular autonomous project division of the company. The role of the Project Manager is quite challenging. He is responsible for the completion of the project exacting to the time schedule and quality standards that are prescribed.



The successful completion of the project depends on how well he coordinates the activities of the project team and how he utilises the advice and assistance of the internal experts (available within the company) and those belonging to external agencies / organisations. The project organisation is suitable when the company gets a one-time assignment or a huge contract or when the company faces a unique challenge.

The main **advantages** of the project organisation are:

1. The participating specialists of the project team get opportunity for prompt, expeditious and effective accomplishment of the goals of the project. This motivates them to make maximum contribution to the execution of the project;
2. It facilitates speedy communication between the project manager and the team members; and
3. It provides flexibility in handling various tasks.

The major **disadvantages** of the project organisation are:

1. The entire project becomes meaningless, if the project manager fails to coordinate the activities of the project properly;
2. The members of the project organisation have to sever the contacts with the mainstream organisational life. As such, they may be bypassed when opportunities arise in their respective fields for promotion; and
3. The job of the project manager becomes very difficult because he has to deal with specialists from a number of diverse fields.

8.5.4 Matrix Organization

Some organizations find that none of the afore-mentioned structures meet their needs. One approach that attempts to overcome the inadequacies is the matrix structure, which is the combination of two or more different structures. Functional departmentalization commonly is combined with product groups on a project basis.

For example, a product group wants to develop a new addition to its line; for this project, it obtains personnel from functional departments such as research, engineering, production, and marketing. These personnel then work under the manager of the product group for the duration of the project, which can vary really. These personnel are responsible to two managers.

The matrix structure groups employees by both function and product. This structure can combine the best of both separate structures. A matrix organization frequently uses teams of employees to accomplish work, in order to take advantage of the strengths, as well as make up for the weaknesses, of functional and decentralized forms.

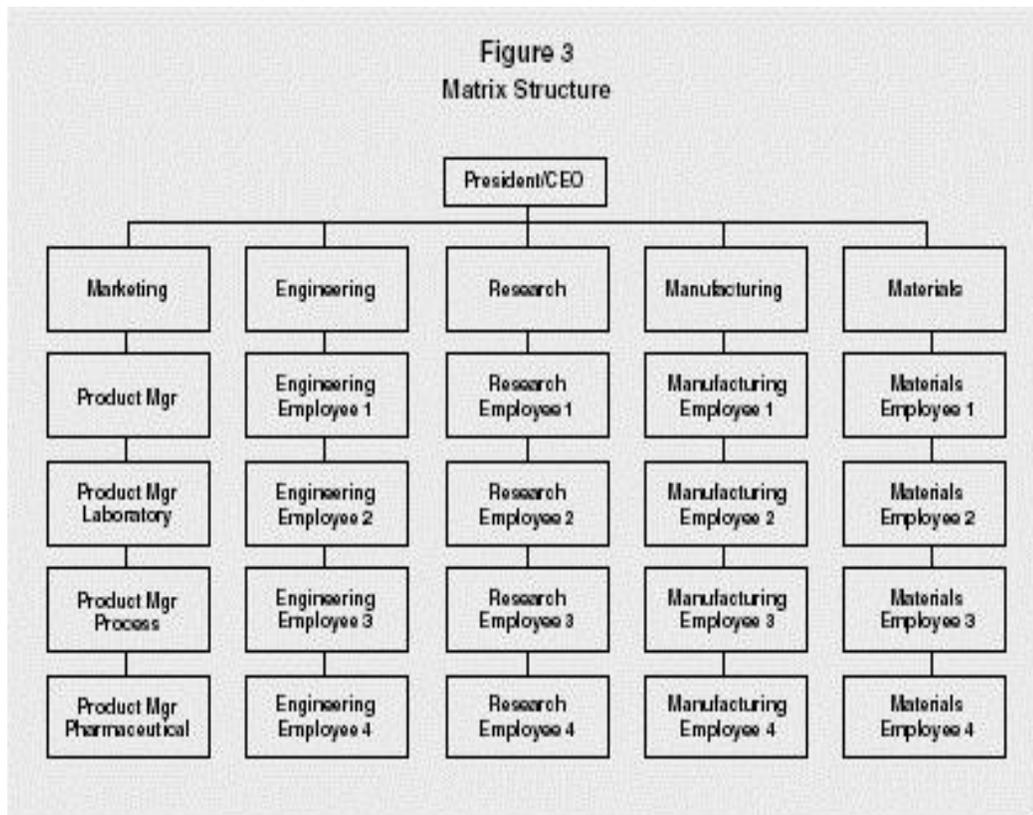
An example would be a company that produces two products, "product a" and "product b". Using the matrix structure, this company would organize

functions within the company as follows: "product a" sales department, "product a" customer service department, "product a" accounting, "product b" sales department, "product b" customer service department, "product b" accounting department.

Matrix structure is amongst the purest of organizational structures, a simple lattice emulating order and regularity demonstrated in nature.

- Weak/Functional Matrix: A project manager with only limited authority is assigned to oversee the cross- functional aspects of the project. The functional managers maintain control over their resources and project areas.
- Balanced/Functional Matrix: A project manager is assigned to oversee the project. Power is shared equally between the project manager and the functional managers. It brings the best aspects of functional and projectized organizations. However, this is the most difficult system to maintain as the sharing power is delicate proposition.
- Strong/Project Matrix: A project manager is primarily responsible for the project. Functional managers provide technical expertise and assign resources as needed.
- One advantage of a matrix structure is that it facilitates the use of highly specialized staff and equipment. Rather than duplicating functions as would be done in a simple product department structure, resources are shared as needed. In some cases, highly specialized staff may divide their time among more than one project. In addition, maintaining functional departments promotes functional expertise, while at the same time working in project groups with experts from other functions fosters cross-fertilization of ideas.
- The disadvantages of a matrix organization arise from the dual reporting structure. The organization's top management must take particular care to establish proper procedures for the development of projects and to keep communication channels clear so that potential conflicts do not arise and hinder organizational functioning.

In theory at least, top management is responsible for arbitrating such conflicts, but in practice power struggles between the functional and product manager can prevent successful implementation of matrix structural arrangements. Besides the product/function matrix, other bases can be related in a matrix. Large multinational corporations that use a matrix structure most commonly combine product groups with geographic units. Product managers have global responsibility for the development, manufacturing, and distribution of their own product or service line, while managers of geographic regions have responsibility for the success of the business in their regions.



Some of the **advantages** of the matrix structure are:

1. It facilitates coordination when the organisation has multiple complex and interdependent activities;
2. It ensures the effective utilisation of the services of the people with highly specialised skills; and
3. The direct and frequent contact between the different functional specialists in the matrix ensures better communication and more flexibility.

The major **disadvantages** of the matrix structure are:

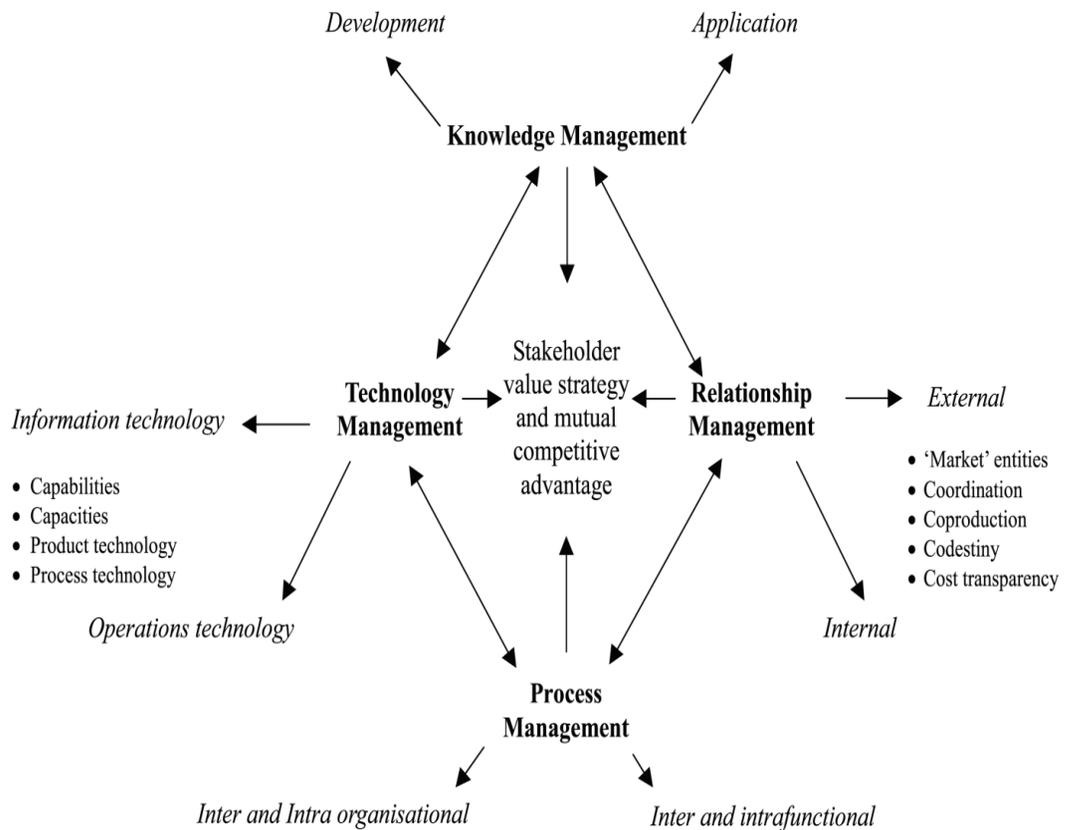
1. This structure breaks the unity-of-command concept. Reporting to one boss introduces role conflict and role ambiguity;
2. It fosters power struggle between product (project) managers and functional managers who share the same set of resources; and
3. A matrix organisation incurs higher costs than an organisation with a conventional hierarchy

8.5.5 Virtual Organisation (Network Structure)

A *virtual organisation* is a small, core organisation that outsources major business functions. It is highly centralised, with little or no departmentalisation. The virtual organisation creates network relationships with other organisations /

agencies located anywhere in the world for the purpose of contracting out functions like manufacturing, distribution, marketing, R & D, etc. The networking is done through the electronic technology. As such, the partnerships between the virtual organisation and other organisations (far-flung companies) are based on electronic contracts. The partners are less permanent, less formal, and more opportunistic. Each partner contributes to the virtual organisation its core capabilities. The managers of the virtual organisations spend most of their time in coordinating the various activities through the networking. Examples of virtual organisations include Ford, Harley Davidson, Nike, Rebok, Mobil Corp., IBM etc.

- Identification of knowledge required
- Creation and/or acquisition
- Transfer and conversion
- Distribution



- Identifying processes necessary to respond to implement the value proposition
- Develop interorganisational and interfunctional approaches to value creation, production, communication and 'servicing' as well as developing & maintaining effective & efficient structures

The major **advantages** of a virtual organisation are:

1. Through virtual organisation it is possible to create “best-of-everything” organisation because each partner brings its “core competence.”
2. A virtual organisation allows someone with an innovative idea and little money to successfully compete against large companies. This is possible because of flexible nature.

The major **disadvantages** of the virtual structure are:

1. It reduces management’s control over the key parts of its business; and
2. The reliability of the partners may be doubtful.

8.5.6 Boundaryless Organisation

General Electric Chairman, Jack Welch, coined the term *boundaryless organisation*. The boundaryless organisation seeks to remove the **vertical and horizontal boundaries** within the organisation and to break down **external barriers** between the company and its customers and suppliers. Once the management removes the vertical boundaries, the structure of the organisation looks more like a silo than a pyramid. To break down the **vertical boundaries**, the management adopts the following strategies:

- i. Creating cross-hierarchical teams (which includes top executives, middle managers, supervisors, and operative employees);
- ii. Encouraging participative decision making; and
- iii. Making use of 360 degree performance appraisal (peers and others above and below the employee evaluate his / her performance).

To reduce the barriers to the **horizontal boundaries**, the management adopts the following strategies:

- i. Replacing the functional departments with cross-functional teams and organising activities around processes;
- ii. Using lateral transfers; and
- iii. Rotating people into and out of different functional areas.

The **external boundaries** can be reduced through practices like strategic alliances, customer- organisation linkages and telecommuting (mainly with the networked computers).

The major **advantages** of the boundaryless organisation are:

1. It fosters teamwork among the employees;
2. It ensures speedy communication within the organisation (intra-organisational communication) and between the organisation and the customers and suppliers (inter-organisational communication); and
3. It can help competitiveness in the global economy.

A principal **drawback** of this form of organisation is that it is difficult to clearly establish the relationship between superiors and subordinates in the organisation.

8.5.7 Inverted Pyramid

Organisations with this type of structure put the customers at the top and give them the most important role in driving the business. The front-line employees like sales representatives, people in charge of help-desk, etc. who come in direct contact with the customers, are also given a similar position. The Top Management of the organisation is at the bottom of the structure. Thus, in this form of organisation, the role of the management changes from a commanding one to a supporting one.



Some of the **advantages** of the inverted pyramid are:

1. This structure gives first preference to the customers. Therefore, it becomes easy for the organisation to know the customers' choices, and to work out appropriate strategies to ensure customers' satisfaction; and
2. In this form of organisation, the employees are given more responsibility and authority than the top management.

A major **disadvantage** of the inverted pyramid relates to formulation of strategies. The frontline foremen are not quite equipped to formulate strategies regarding the organisation. This leaves sufficient ground within the organisation to doubt about their capabilities to make appropriate strategies.

8.6 SUMMARY

We have briefly described delegation, decentralization, span of control and the various types of organisation structures that have evolved over a period of time in response to the paradigm environment. Delegation is the process that makes management possible because management is the process of getting results accomplished through others. Understanding the process of delegation involves employing the principles of responsibility, authority, and accountability, as well as understanding the concept of the chain of command (scalar principle). The issue of decentralization involve the principle of delegation of authority, where a significant amount of authority is delegated to lower levels. The continuum of structures ranges from the traditional structure to the modern virtual

organisation. Each type of structure has its advantages and disadvantages. As the traditional structures no longer proved to be adequate in the new paradigm environment, the modern horizontal, boundaryless, virtual organisations have emerged. Organisations' needs for flexibility, adaptability to change, creativity, innovation, knowledge, and ability to overcome environmental uncertainties are among the biggest challenges facing the modern organisations.

8.7 GLOSSARY

- **Delegation** is the process that makes management possible because management is the process of getting results accomplished through others. Delegation is the work a manager performs to entrust others with responsibility and authority and to create accountability for results. It is an activity of the organizing function.
- **Responsibility** is the obligation or expectation to perform and carry out duties and achieve goals related to a position.
- **Authority** is the right inherent in a managerial position to tell people what to do and to expect them to do it, right to make decisions and carry out actions to achieve organizational goals.
- **Scalar principle** (chain of command) implies a clear definition of authority in the organization. This authority flows down the chain of command from the top level to the first or lowest level in the organization.
- **Decentralization** occurs when a significant amount of authority is delegated to lower levels in the organization.
- **Span of Control** refers to the total number of people (subordinates or employees working under) whom a manager or an administrator can effectively control and supervise. The more people under the control of one manager - the wider the span of control. Less means a narrower span of control.
- **Vertical organisation** is that in which the size of the hierarchical chain of command is long i.e. the number of hierarchical levels are high.
- **Horizontal structure** has multi-disciplinary/ cross functional self-managed teams (composed of personnel from different functional areas like finance, marketing, human resource, quality control and operations) created to handle the core processes, and each team is entrusted with a core process. It facilitates cooperation, teamwork, and customer orientation rather than a functional orientation.
- **Project Organisation** is separate from and independent of functional departments of the company. When an organisation undertakes a big project or a number of small projects, it creates project organisation(s) for the completion of the same.

- **Matrix structure** is amongst the purest of organizational structures and groups employees by both function and product. This structure can combine the best of both separate structures. A matrix organization frequently uses teams of employees to accomplish work, in order to take advantage of the strengths, as well as make up for the weaknesses, of functional and decentralized forms.
- **Virtual Organisation** is a small, core organisation that outsources major business functions. It is highly centralised, with little or no departmentalisation.
- **Boundaryless Organisation** seeks to remove the **vertical and horizontal boundaries** within the organisation and to break down **external barriers** between the company and its customers and suppliers.
- **Inverted Pyramid** structure has the customers at the top and gives them the most important role in driving the business. The front-line employees like sales representatives, people in charge of help-desk, etc. who come in direct contact with the customers, are also given a similar position

8.8 ANSWER TO CHECK YOUR PROGRESS/POSSIBLE ANSWERS TO SAQ

Delegation is the art of managing because it makes management possible, and management is the process as well as the art and skill of getting results accomplished through other people.

The delegation process works as follows. The manager has certain defined objectives (i.e., results) to accomplish at the end of a budget period. He or she assigns the responsibilities (i.e., duties to be performed) to key employees, along with the commensurate authority to go with those responsibilities.

The accomplishment of the assigned responsibilities should equal the defined objectives. The manager then develops standards of performance with each key employee (i.e., the conditions that should exist when a job is done well). These standards should be mutually developed to be effective. In essence, these standards of performance become the accountability of each employee for the budget period. The successful accomplishment of the standards of performance should equal the assigned responsibilities. The process continues with the appraisal of the key subordinates against the agreed-upon standards of performance and closes with evaluation and feedback to the beginning of the next budget cycle, when the process begins all over again.

It means that authority should equal responsibility

The scalar principle means that there should be a clear definition of authority in the organization and that this authority flows, one link at a time, through the chain of command.

The issue of decentralization involves the principle of delegation of authority. When a significant amount of authority is delegated to lower levels in the organization, the business is characterized as decentralized. 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. An organisation structure specifies the various job tasks and shows how the same are formally divided, grouped, and coordinated. It provides an appropriate framework for authority relationship. It indicates the hierarchy of authority and the reporting relationships. It is a means to help the management to achieve the organisational objectives. Matrix structure is a type of departmentalization that superimposes a horizontal set of divisional reporting relationships onto a hierarchical functional structure.

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8.11 TERMINAL AND MODEL QUESTIONS

- Q. 1 Why is delegation the art of managing?
- Q. 2 Describe how the process of delegation works.
- Q. 3 What is meant by the parity of authority and responsibility?
- Q. 4 Explain span of management and its types.
- Q. 5 Briefly describe the horizontal, boundaryless and virtual organisation designs. Explain how they meet the challenges of the new environment.

UNIT 9: STAFFING: NATURE AND PURPOSE; PROCESS OF STAFFING; DIRECTING

STRUCTURE

- 9.1 Introduction
- 9.2 Objectives
- 9.3 Importance of Staffing
- 9.4 Nature and Purpose of Staffing
 - 9.4.1 Nature of staffing is as follows:
 - 9.4.2 Purpose of Staffing
- 9.5 Process of Staffing
 - 9.5.1 Estimating Manpower Requirements
 - 9.5.2 Recruitment and selection of staff
 - 9.5.3 Training and Development of Staff
 - 9.5.4 Promotion and Transfer
 - 9.5.5 Remuneration
 - 9.5.6 Orientation of staff
 - 9.5.7 Performance Evaluation
- 9.6 Directing
- 9.7 Meaning of Direction
- 9.8 Nature of Direction
 - 9.8.1 Pervasive Function
 - 9.8.2 Continuous Activity
 - 9.8.3 Human Factor
 - 9.8.4 Creative Activity
 - 9.8.5 Executive Function
- 9.9 Importance of Direction
- 9.10 Elements of Direction
 - 9.10.1 Supervision
 - 9.10.2 Communication
 - 9.10.3 Motivation
 - 9.10.4 Leadership
 - 9.10.5 Training
- 9.11 Techniques of Direction
- 9.12 Summary
- 9.13 Glossary
- 9.14 Answer to Check Your Progress
- 9.15 References / Bibliography
- 9.16 Suggested Readings
- 9.17 Terminal and Model Questions

9.1 INTRODUCTION

Managing human element and its relationship between different individuals is the most challenging assignment to the management. It lays stress that the management should make selection of employees strictly in accordance with the job requirement of the enterprise.

Staffing is also concerned with the proper training of employees as per the real situations and requirements of the job. The managerial function of staffing involves manning the organization structure through proper and effective selection, appraisal and development of the employees to carry out the daily operational duties and responsibilities.

Definitions of Staffing

According to Theo Haimann, "Staffing pertains to recruitment, selection, development and compensation of subordinates."

According to McFarland, "Staffing is the function by which managers build an organisation through the recruitment, selection, and development of individuals as capable employees".

According to Koontz and O'Donnell, "staffing is the executive function where the recruitment, selection, compensating, training, promotion and retirement of subordinate managers takes place".

9.2 OBJECTIVES

After going through this unit you will be able to understand:

- Staffing
- Its Nature and Purpose
- Process of Staffing
- Meaning of Direction
- Nature of Direction
- Importance of Direction
- Elements of Direction

9.3 IMPORTANCE OF STAFFING

All of us know that it is the workforce in every organisation that runs the show successfully. For instance, if you do not have good salesman you cannot sell well even if your product is good. Similarly, you may have the best quality raw materials, machines etc. but the quality of the product is not assured unless you have good workers engaged in the production process.

Therefore staffing, as a function, is very important as it is through this process that we get right persons at the right time for the organisation and ensure that they remain in the organisation. The importance of staffing can be described in the following manner:

1. Filling Organisational Position– A basic problem faced by majority of the organisations is lack of good quality human resources. With an increase in competition for best workforce the cost of acquiring them has increased manifold. In such situations there is a need for systematic staffing so that the organisation can fill its various positions with good quality of personnel.

2. Developing Competencies– Just by getting the right and the skilled people for the job is not sufficient. It is imperative that the competencies of the personnel are developed over time. It is a known fact that the rate of skill obsolescence is quite high therefore to meet this regular updation of skills is necessary.

3. Retaining Personnel– Employee turnover, mostly at the managerial level is quite high. Therefore apart from acquiring and developing personnel, retaining them in the organisation is crucial.

The benefits of good staffing are as follows:

(a) It helps in getting right people for the right job at the right time. The function of staffing enables the manager to find out as to how many workers are required and with what qualifications and experience.

(b) Staffing contributes to improved organisational productivity. Through proper selection the organisation gets quality workers, and through proper training the performances level of the workers can be improved.

(c) It helps in providing job satisfaction to the employees keeping their morale high. With proper training and development programmes their efficiency improves and they feel assured of their career advancements.

(d) Staffing maintains harmony in the organisation. Through proper staffing, individuals are not just recruited and selected but their performance is regularly appraised and promotions made on merit. For all these, certain rules are made and are duly communicated to all concerned. This fosters harmony and peace in the organisation.

9.4 NATURE AND PURPOSE OF STAFFING

Staffing refers to the managerial function of employing and developing human resources for carrying out the various managerial and non-managerial activities in an organisation. This involves determining the manpower requirement, and the methods of recruiting, selecting, training and developing the people for various positions created in the organisation.

9.4.1 Nature of staffing is as follows:

a) Staffing is the function of management- Staffing function is the most important managerial act along with planning, organizing, directing and controlling. The operations of these four functions depend upon the manpower which is available through staffing function.

b) Staffing is a pervasive activity- As staffing function is carried out by all managers and in all types of concerns where business activities are carried out.

c) Staffing is a continuous activity- This is because staffing function continues throughout the life of an organization due to the transfers and promotions that take place.

d) Staffing helps in placing the right men at the right job - It can be done effectively through proper recruitment procedures and then finally selecting the most suitable candidate as per the job requirements.

e) Staffing is performed by all managers depending upon the nature of business, size of the company, qualifications and skills of managers.

9.4.2 Purpose of Staffing

- Filling the Organisational positions
- Developing competencies to challenges
- Retaining personnel - professionalism
- Optimum utilization of the human resources

9.5 PROCESS OF STAFFING

After an organization's structural design is in place, it needs people with the right skills, knowledge, and abilities to fill in that structure. People are an organization's most important resource, because people either create or undermine an organization's reputation for quality in both products and service.

9.5.1 Estimating Manpower Requirements

It is making an analysis of work and estimating the manpower requirement to accomplish the same. The first step of staffing is to estimate the size and structure of the staff. In the present complex and dynamic business environment, planning for manpower requirement is the responsibility of the top management. Features of estimating staff requirements:

1. Presenting inventory of existing number and type of staff employed.
2. Determining the period for which the people are required
3. Ascertaining manpower needs with regard to the number and the type of people required. It is a comparison of the existing manpower and the required manpower.
4. Activity based manpower planning, taking into consideration the acquisition, utilization, improvement and preservation of the organizations human assets.

9.5.2 Recruitment and selection of staff

It is identifying and attracting capable applicants for employment. It ends with the submission of applications by the aspirants. Recruitment is an activity of establishing contact between the employer and the employee. Both the internal

and the external sources of recruitment maybe used to recruit the required staff. In order to select the most suitable candidate for the job written test, psychological tests and physical tests should be administered. Candidates should also be interviewed before the final selection. These tests discover the hidden ability of the candidates, differentiate between intelligent and non – intelligent candidates and help in the selection of the most suitable candidate.

9.5.3 Training and Development of Staff

It is concerned with imparting and developing specific skills for a particular purpose. According to Jucius, “The term training is used to indicate processes by which the aptitude, skills and abilities of employees to perform specific jobs are increased.”

The employee must have the theoretical and practical knowledge of the work, he is required to perform. The theoretical knowledge can be gained in the institutions but for the practical knowledge training is required. Therefore, the training acquaints the employees with the real situations of the work and helps him in the faultless accomplishments of the work.

Training is a part of incentives given to the workers in order to develop and grow them within the concern. Training is generally given according to the nature of activities and scope of expansion in it. Along with it, the workers are developed by providing them extra benefits of in-depth knowledge of their functional areas. Development also includes giving them key and important jobs as a test or examination in order to analyze their performances.

9.5.4 Promotion and Transfer

A promotion is the appointment of a member to another position within the same department or elsewhere in the organization which involves duties and responsibilities of a more complex or demanding nature and is recognized by a higher pay grade and salary.

A transfer is the appointment of a member to another position within the same department or elsewhere in the organization, involving duties and responsibilities of a comparable nature and having a similar pay grade and salary. In certain circumstances, the transfer may be at a lesser pay grade or salary. Employees are promoted to higher ranks on the basis of merit and seniority. Staffing also involves transfer of employees from one place to other place according to their ability, competence and experience. It also takes into consideration the needs and interests of the employees. A promotion is a move up the organizational ladder whereas job rotation and transfers are lateral moves.

9.5.5 Remuneration

It is a kind of compensation provided monetarily to the employees for their work performances. This is given according to the nature of job- skilled or

unskilled, physical or mental, etc. Remuneration forms an important monetary incentive for the employees.

The management should ensure that the employees are suitably remunerated for the services rendered by them. Remuneration paid maybe in the form of wages, salaries, allowances and perks. Wages are normally paid according to time rate of piece rate system.

9.5.6 Orientation of staff

Once screening takes place, the appointed candidates are made familiar to the work units and work environment through the orientation programmes. Orientation of the selected employees enables them to adjust themselves to the real situations, work and the environment of the organization. Here, the employees may be taken round the plant or office, supplied with the literature containing information, policies and achievements of the enterprise and maybe shown a power point presentation about the organization and also shown a video to help them get a feel of the organisation.

9.5.7 Performance Evaluation

In order to keep a track of the behavior, attitudes as well as opinions of the workers towards their jobs regular assessment is done to evaluate and supervise different work units in a concern. It is basically concerning to know the development cycle and growth patterns of the employee in a concern. Also it is a systematic evaluation of personnel by superiors or others familiar with their performance so as to rank the employees to ascertain their eligibility for promotions.

9.6 DIRECTING

After planning, organizing and staffing, the management is required to initiate actual action for which direction is required. Directing means giving instructions to the employees and guiding, counseling, motivating and leading them to achieve organisational goals. From top executive to supervisor performs the function of directing and it takes place accordingly wherever superior – subordinate relations exist. Directing is a continuous process initiated at top level and flows to the bottom through organisational hierarchy.

The true success of direction depends upon the proper motivation of workers and supervision of their efforts. It requires effective communication system and competent leadership.

Meaning of Direction

Direction is the process of activating human resources to achieve the objective of the business. It is concerned with initiating, mobilizing and integrating human efforts to achieve the goals of the enterprise. Recruitment of competent

and talented staff is not sufficient unless they are motivated and their efforts are supervised, directed and controlled. In the absence of effective direction the enterprise will become inactive, inefficient and dull.

Definitions of Direction

According to Earnest Dale, "Directing is telling people what to do and seeing that they do it to the best of their ability". In the words of Joseph L. Masside, "Directing concerns the total manner in which a manager influences the subordinates. It is the final action of a manager in getting others to act after all preparations have been done". According to Harold Koontz and Cyril O'Donnel, "Direction is a complex function that includes all those activities, which are designed to encourage a subordinate to work effectively and efficiently".

9.8 NATURE OF DIRECTION

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. Following are the features associated to direction:

9.8.1 Pervasive Function

Directing is required at all levels of organization. Every manager provides guidance and inspiration to his subordinates. It is performed in the context of superior-subordinate relationship and every manager in the organisation performs his duties both as a superior and a subordinate.

9.8.2 Continuous Activity

Direction is a continuous activity as it continuous throughout the life of organization. A manager needs to give orders to his subordinates, motivates them, leads them and guides them on continuous basis.

9.8.3 Human Factor

Directing function is related to subordinates and therefore it is related to human factor. Since human factor is complex and behavior is unpredictable, direction function becomes important.

9.8.4 Creative Activity

Direction function helps in converting plans into performance. Without this function, people become inactive and physical resources are meaningless.

9.8.5 Executive Function

Direction function is carried out by all managers and executives at all levels throughout the working of an enterprise; a subordinate receives instructions from his superior only.

9.9 IMPORTANCE OF DIRECTION

Plans remain mere plans unless they are put into action. In the absence of direction, subordinates will have no idea as to what to do. They will probably not be inspired to complete the job satisfactorily. Implementation of plans is, thus, largely the concern of directing function. As a function of management, directing is useful in many ways.

It Initiates Actions

Directions is the function which is the starting point of the work performance of subordinates. It is from this function the action takes place, subordinates understand their jobs and do according to the instructions laid. Whatever are plans laid, can be implemented only once the actual work starts. It is there that direction becomes beneficial.

It Ingrates Employee Efforts

Through direction, the superiors are able to guide, inspire and instruct the subordinates to work. For this, efforts of every individual towards accomplishment of goals are required. It is through direction the efforts of every department can be related and integrated with others. This can be done through persuasive leadership and effective communication. Integration of efforts brings effectiveness and stability in a concern.

9.9.3 Means of Motivation

Direction function helps in achievement of goals. A manager makes use of the element of motivation here to improve the performances of subordinates. This can be done by providing incentives or compensation, whether monetary or non - monetary, which serves as a "Morale booster" to the subordinates. Motivation is also helpful for the subordinates to give the best of their abilities which ultimately helps in growth.

9.9.4 It Provides Stability

Stability and balance in concern becomes very important for long term survival in the market. This can be brought upon by the managers with the help of four tools or elements of direction function - judicious blend of persuasive leadership, effective communication, strict supervision and efficient motivation. Stability is very important since that is an index of growth of an enterprise. Therefore a manager can use of all the four traits in him so that performance standards can be maintained.

9.9.5 Coping up with the changes

It is a human behavior that human beings show resistance to change. Adaptability with changing environment helps in sustaining planned growth and

becoming a market leader. It is directing function which is of use to meet with changes in environment, both internal as external. Effective communication helps in coping up with the changes. It is the role of manager here to communicate the nature and contents of changes very clearly to the subordinates. This helps in clarifications, easy adaption's and smooth running of an enterprise

Efficient Utilization of Resources

Direction finance helps in clarifying the role of every subordinate towards his work. The resources can be utilized properly only when less of wastages, duplication of efforts, overlapping of performances, etc. don't take place. Through direction, the role of subordinates become clear as manager makes use of his supervisory, the guidance, the instructions and motivation skill to inspire the subordinates. This helps in maximum possible utilization of resources of men, machine, materials and money which helps in reducing costs and increasing profits.

9.10 ELEMENTS OF DIRECTION

Supervision, Communication, Motivation, Leadership and Training are the five essential elements of directing.

9.10.1 Supervision

Supervision implies expert overseeing of subordinates -at work in order to guide and regulate their efforts. Every manager has to supervise the work of his subordinates to see that they do their work as desired. Supervision is one important element of the process of directing. But supervision is particularly important at the operating level of management. The supervisor is in direct personal contact with the workers and he acts as the link between workers and management. He communicates the policies, plans and orders of management to the workers. He also brings workers' grievances, suggestions and appeals to the notice of management. Effective supervision is essential for the accomplishment of desired goals. The purpose of supervision is to ensure that subordinates perform their tasks according to prescribed procedures and as efficiently as possible.

9.10.2 Communication

Communication involves exchange of ideas and information in order to create mutual understanding. It is a systematic process of telling, listening and understanding. A Manager has to explain the plans and orders to his subordinates and to understand their problems.

He must develop a sound two-way communication system so as to be always in touch with his subordinates. Sound communication fosters mutual understanding and coordination among different units of the organisation.

9.10.3 Motivation

Motivation implies inspiring the subordinates to work with zeal and confidence. No administrative action can succeed unless the subordinates are motivated to contribute their best efforts to the common task.

In order to activate and actuate his subordinates to work in the desired manner, a manager has to make use of appropriate incentives. Various financial and non-financial incentives are available to a manager for this purpose. Motivation is a continuous process of understanding and satisfying human needs.

9.10.4 Leadership

Leadership is the process of guiding and influencing subordinates for the accomplishment of desired goals. It involves the integration of organizational interests with personal goals. A person can be an effective manager when he possesses the qualities of a good leader. It is through leadership that a manager can build up confidence and zeal among his subordinates. In order to guide his subordinates in the desired direction, a manager should adopt an appropriate style of leadership. The pattern and quality of leadership determines the level of motivation. Leadership is always related to a particular situation.

9.10.5 Training

Direction requires continuous training activity in which subordinates are instructed to carry out the particular assignment in the existing situations. The proper execution of work can take place, when the subordinates are competent and capable of doing it. The proficiency in the work emerges by imparting training to the subordinates. That is why; training is also a vital part of direction.

9.11 TECHNIQUES OF DIRECTION

In performing direction function, managers use different techniques. Some of these techniques are related to giving orders and instructions and their follow-up; others are related to adopting behavioural pattern.

Orders and Instructions

Through orders and instructions, a superior manager directs his subordinates what work they should do; how they should do and when they should do. Thus, through this a manager conveys the nature of work, processes and procedures adopted, and timing of job performance.

Follow-up Orders and Instructions

Once the orders are issued it is not necessary that they are carried put immediately. There maybe three types of problems: *Firstly*, the subordinates may not have understood the instructions clearly. *Secondly*, they may not have

adequate resources to carry out the instructions accordingly. *Thirdly*, there may be contradictory orders and instructions which may confuse the subordinates and create conflicts. To avoid such situations the superior has to do a follow-up to ensure that the orders and instructions are carried out properly and if any problem arises then he tries to remove those obstructions.

Standard Practices and Procedures

Apart from giving orders a superior also relies on the policies and procedures of the organisation for getting the work done. This is normally in the case of routine/daily instructions. These policies work as a guideline for carrying out the tasks.

Behavioural Pattern

While interacting with the team a superior may adopt one of the following behavioural patterns: autocratic, participative and free-rein.

In *autocratic* pattern the superior does not involve his subordinates in decision making and gives out the instructions. Therefore, there is a gap between decision maker and decision implementer. In *participative* pattern, decision making is a joint process between the superior and the subordinates. Therefore, there is clarity of thoughts. In *free-rein* pattern, the subordinates are given the authority to make decisions and the superior provides them with the set guidelines of the organisation.

9.12 SUMMARY

In this unit we have discussed how staffing and direction are important functions of management. Staffing is a function where the recruitment, selection, compensation, training, promotion and retirement of subordinate managers takes place. Also, it helps in optimum utilisation of human resources. Directing on the other end provides stability and motivation to the employees. It is a continuous activity and helps in converting plans into performance.

9.13 GLOSSARY

- **Staffing** - It pertains to recruitment, selection, development and compensation of subordinates.
- **Directing** – It is telling people what to do and seeing that they do it to the best of their ability.
- **Estimating manpower requirements** – It is making an analysis of work and estimating the manpower requirement to accomplish the same.
- **Training and Development of Staff** - It is concerned with imparting and developing specific skills for a particular purpose.
- **Motivation** - It implies inspiring the subordinates to work with zeal and confidence.

- **Leadership** - It is the process of guiding and influencing subordinates for the accomplishment of desired goals.
- **Supervision** – It implies expert overseeing of subordinates at work in order to guide and regulate their efforts.
- **Remuneration** - It is a kind of compensation provided monetarily to the employees for their work performances.

9.14 ANSWER TO CHECK YOUR PROGRESS

Nature of staffing is as follows:

- a) Staffing is the function of management
- b) Staffing is a pervasive activity
- c) Staffing is a continuous activity
- d) Staffing helps in placing the right men at the right job
- e) Staffing is performed by all managers depending upon the nature of business, size of the company, qualifications and skills of managers.

Purpose of Staffing

- Filling the organisational positions
- Developing competencies to challenges
- Retaining personnel - professionalism
- Optimum utilization of the human resources

Process of Staffing

- Estimating Manpower Requirements
- Recruitment and selection of staff
- Training and Development of staff
- Promotion
- Remuneration
- Orientation
- Performance Evaluation

Nature of Direction

- Pervasive Function
- Continuous Activity
- Human Factor
- Creative Activity
- Executive Function

Elements of Direction

- Supervision
- Communication
- Leadership
- Motivation
- Training

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9.17 TERMINAL AND MODEL QUESTIONS

- 1) Explain the process of staffing.
- 2) Give reasons why staffing is considered as placing the right men for the right job.
- 3) Explain why direction is an important function of management with special reference to tourism industry.
- 4) Explain the various elements of direction.

UNIT 10 LEADING; MOTIVATION; COMMUNICATION

STRUCTURE

- 10.1 Leadership
 - 10.1.1 Introduction
 - 10.1.2 Objectives
 - 10.1.3 Traits of effective leaders
 - 10.1.4 Leadership Skills
 - 10.1.5 Theories of Leadership
 - 10.1.6 Leadership Styles
- 10.2 Motivation
 - 10.2.1 Introduction
 - 10.2.2 Objectives
 - 10.2.3 Motivation Process
 - 10.2.4 Theories of Motivation
- 10.3 Communication
 - 10.3.1 Introduction
 - 10.3.2 Objectives
 - 10.3.3 Communication Process
 - 10.3.4 Organisational Communication
 - 10.3.5 Barriers to Communication
- 10.4 Summary
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- 10.6 Answers to check your progress
- 10.7 Suggested Readings
- 10.8 Terminal and Model Questions
- 10.9 References

10.1 LEADERSHIP

10.1.1 Introduction

Leadership is probably the most widely researched area of organisational behavior. Leadership is the art of motivating and influencing subordinates to perform their duties willingly and effectively to achieve the set organisational goals. It is important the followers willingly follow their leader. A true leader motivates the follower to follow and induces a belief in them that they will gain by the policies of the leader. A dictatorship under which the subordinates have to perform will not be considered as a true leadership. Inefficient leadership lowers employee morale, promotes dissatisfaction among employees and affects organisational productivity and proficiency.

10.1.2 Learning Objectives

- a) All managers are business leaders and they must exhibit leadership qualities in addition to managerial expertise
- b) Traits of effective leaders
- c) Leadership Skills
- d) Theories of leadership
- e) Leadership styles

10.1.3 Traits of effective Leaders

Since the beginning of history, people have been interested in studying the nature of leadership. They wanted to find the “traits” that distinguished leaders from non leaders and successful leaders from unsuccessful leaders. Some researchers believed that cognitive and psychological factors like intelligence, ambition and aggressiveness are the traits commonly found in leaders. However, others believed that physical characteristics like height, large body structure and personal attractiveness are important traits of leaders.

Most research studies on leadership suggest that there are certain factors that differentiate leaders from non leaders. Some of these include initiative, desire to lead, integrity, self confidence, analytical ability and knowledge of the specific company, industry or technology. If these factors are supplemented with traits such as charisma, creativity and flexibility, an individual is likely to be an effective leader. However, the presence of these characteristics does not guarantee that he will be an effective leader. Even if a person possesses these traits, he may not get an opportunity to use them.

10.1.4 Leadership Skills

Technical Skills – A person’s knowledge and ability to make effective use of any process or technique constitutes his technical skills. The employees at operational and professional levels are required to have certain technical skills. The performance of an engineer, an accountant, a data entry operator and an assembly worker would greatly depend on his or her technical skills. However, as employees are promoted to managerial positions these skills become less relevant, while other skills become more important.

Human Skills – An individual’s ability to cooperate with other members of the organization and work effectively in teams is referred to as human skills. Human skills also involve developing positive interpersonal relationships, solving people’s problems and gaining acceptance of other employees.

Conceptual Skills – They refer to the ability of an individual to analyze complex situations and to rationally process and interpret available information. These skills are of least importance to the employees at operational level and are of utmost importance to managers at higher levels.

10.1.5 Theories of leadership

There are many theories that have attempted to explain the characteristics required by individuals to be effective leaders. There are three important theories that have attempted to explain leadership – personality trait theories, behavior theories and contingency theories.

Trait Theories

Initial research into leadership concentrated on the traits of the leaders. It was believed that there was something unique about the individual that enabled him to emerge as a leader. This theory emphasizes that leaders are born and not made and that leadership is a function of inborn traits. Some of these inborn traits are intelligence, understanding, perception, high motivation, socio-economic status, initiative, maturity, need for self actualization, self assurance and understanding of personal interpersonal relations. One trait theory is the “great person” theory of leadership. According to this theory leadership traits can be acquired with training and experience. They may not be inborn.

However, the trait theory of leadership has suffered from lack of conclusiveness and oversimplifications. As Eugene E. Jennings has concluded, “fifty years of study have failed to produce one personality trait or a set of qualities that can be used to discriminate leaders from non leaders. The critics have charged that the theory focuses attention only on the leader and disregards the dynamics of the leadership process. Also, the theory ignores the situational characteristics which may result in the emergence of a leader.

History is replete with non trained, non academics Fords, Edison’s and Carnegies who could not even claim a grammar school education, yet managed to become leaders whose influence was felt around the globe. Similarly, if tall people were inclined to be leaders then how could such short people as Napoleon or the most respected Prime Minister of India, Lal Bahadur Shastri have risen to a high leadership, gives rise to a logical criticism against its validity.

Behavioral Theories

Since the trait theories failed to establish the relationship between traits and effective leadership, researchers turned their attention to the behavioral aspects of successful leaders. They attempted to identify the behaviors that were unique to leaders, and which distinguished them from non leaders. Behavioral theories of leadership are based upon the belief that great leaders are made, not born. This leadership theory focuses on the actions of leaders not on mental qualities or internal states. According to this theory, people can learn to become leaders through teaching and observation.

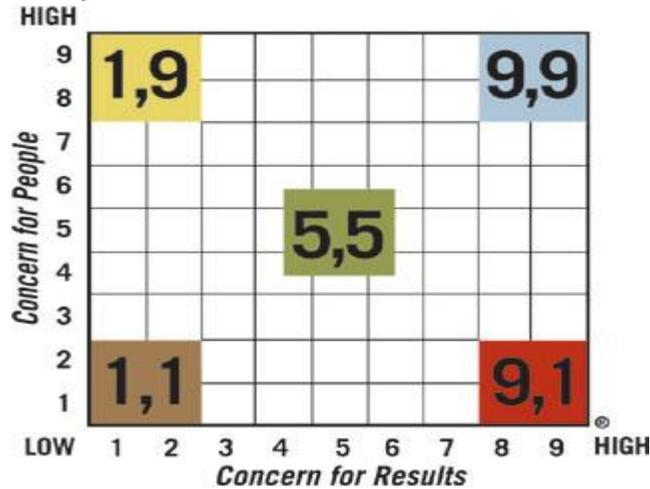
There are three important behavioral theories – the Ohio State studies, the University of Michigan Studies and the Managerial Grid – that have sought to

identify the specific behaviors exhibited by effective leaders. In this unit we will discuss Managerial Grid.

1. The Managerial Grid

The managerial grid model (1964) is a behavioral leadership model developed by Robert R. Blake and Jane Mouton. This model originally identified five different leadership styles based on the concern for people and the concern for production. The optimal leadership style in this model is based on Theory Y.

Figure 1.2 The Managerial Grid



The Managerial Grid is based on two behavioral dimensions:

Concern for People– This is the degree to which a leader considers the needs of team members, their interests, and areas of personal development when deciding how best to accomplish a task.

Concern for Production– This is the degree to which a leader emphasizes concrete objectives, organizational efficiency and high productivity when deciding how best to accomplish a task.

The model consists of nine rows and columns. The rows represent the leader’s concern for production and the column represents concern for people. Blake and Mouton found five intersection points in this model – 1,9; 1,1; 9,1; 5,5; 9,9.

Management Style 1, 1 (impoverished management)

This management style has low concern for people and low concern for tasks/production. In this situation manager’s major emphasis is to stay out of trouble. They exert minimum effort to get required job done and simply passed orders from superiors. The organizations just survive.

Management Style 1, 9 (country-club management)

This management style has high concern for employees but low concern for production. Here peoples’ needs are satisfied and a friendly atmosphere remains in the organizations. However this situation does not help organizations to achieve desired goals.

Management Style 9, 1 (task or authoritarian management)

This management style has high concern for production and efficiency but low concern for employees. They may see personal needs for members as irrelevant or harmful to organizational goals and use their authority to pressure their subordinate to meet high production targets.

Management Style 5, 5 (middle-of-the-road management)

This management style is having a moderate, intermediate amount of concern for both production and employee satisfaction. But this too is not the most suitable one.

Management Style 9, 9 (team or democratic management)

This management style has high concern for both production and employee morale and satisfaction. Blake and Mouton believed that this style is the most effective management style. It provides improved performance, low absenteeism and turnover, and high employee satisfaction. 9.9 managers try to develop combine, committed work groups for both high production and high satisfaction.

One critic of the model is that it provides a framework for conceptualizing leadership styles but fails to reveal any new facts or establish any new relationships which could clarify the conflicting views on leadership.

Contingencies Theories

Contingency or situational theories of leadership propose that leaders have to change their style depending on the situation they face. A leader should carefully analyze the nature of the situation before deciding on the appropriate style of leadership to be adopted. Contingency theories gained prominence in the late 1960s and 1970s.

Four of the more well-known contingency theories are Fiedler's contingency theory, path-goal theory, the Vroom-Yetton decision-making model of leadership, and Hersey and Blanchard's situational leadership theory.

1. Fielder's Contingency Theory

One of the most well validated situational theories is Fielder's contingency model. Whilst Grid theory advocates adopting a high relationship – high task approach in all situations, contingency theory suggests that leaders should consider three contextual factors before deciding on the best people-task mix to any situation.

- **Leader-member relations** – This indicates the extent to which a leader is accepted by his subordinates. If a leader has friction with majority of his subordinates then he scores low on this dimension.
- **Degree of task structure** – This refers to the degree to which the task on hand can be performed efficiently by following a particular method.

- **Leader's positional power** – It refers to the power, that the leader is bestowed within the organization. For example if a leader has more power if he is in a position to decide the rewards and incentives of his team.

The model has been shown to work best when situations are classified into one of three categories:

1. Favorable
2. Moderately favorable
3. Unfavorable

A situation is considered favorable to the leader if the scores on all the three dimensions are high. One of the major conclusions that can be drawn from this theory is that a particular leadership style maybe more effective in one situation and the same style may be totally ineffective in the other situation, and since a leadership style is more difficult to change, the situation must be changed to suit the leadership style which can be done by enhancing relationship with subordinates, by changing the task structure and getting more power.

2. Hersey and Blanchard's Situational Theory

The life cycle theory of leadership has been developed by Paul Hersey and Kenneth Blanchard. The model focuses on the 'maturity' of the followers thus affecting the leadership style. The 'maturity' of the subordinates can be defined as their ability to carry out a given task and willingness to perform the task. If the manager gives appropriate guidance to an employee, he is likely to develop the necessary job related abilities in a short time. However, all employees do not have the same level of competence and commitment; therefore, leaders are required to adopt various leadership styles:

- i. **Telling** – If an employee is low in his ability and willingness to perform a task then the manager must constantly give directions to the employee to perform his task.
- ii. **Selling** – If an employee is low in ability but high in willingness then the leader apart from giving directions has to give required support to perform that task.
- iii. **Participating** – If an employee is capable of performing but is not willing to perform then the leader should give fewer directions and more responsibilities and extend maximum support to the employee.
- iv. **Delegating** – If an employee is capable as well as willing to perform then the leader is not required to give detailed instructions and extensive support to the employee.

The strength of this model lies in its simplicity and intuitive appeal. Also, the model emphasizes on an individual's ability and willingness to do a task. This factor was mostly ignored by most of the researchers. However, the model ignores certain factors like leader's attitude that is the reason it is not widely accepted by most researchers.

10.1.6 Leadership Styles

Autocratic Leadership

Leaders make decisions without consulting their teams because they believe they are more intelligent and competent than their subordinates. This is considered appropriate when decisions genuinely need to be taken quickly, when there's no need for input, and when team agreement isn't necessary for a successful outcome.

Laissez-faire Leadership

Leaders completely delegate the responsibilities and do not interfere; they allow people within the team to make many of the decisions. Leader shows respect for subordinates and encourages them to express their views and opinions. This works well when the team is highly capable and motivated, and when it doesn't need close monitoring or supervision. However, this style can arise because the leader is lazy or distracted, and, here, this approach can fail.

Democratic Leadership or Participative Leadership

Although democratic leaders make the final decisions, they invite other members of the team to contribute to the decision-making process. This not only increases job satisfaction by involving team members, but it also helps to develop people's skills. Team members feel in control of their own destiny, so they're motivated to work hard by more than just a financial reward.

Because participation takes time, this approach can take longer, but often the end result is better. The approach can be most suitable when working as a team is essential, and when quality is more important than speed to market, or productivity.

Bureaucratic Leadership

Bureaucratic leaders work "by the book." And set certain rigid rules and regulations and procedures. They follow rules rigorously, and ensure that their staff follows procedures precisely. The employees constantly look ways to express their resentment towards the rules laid down by the organization. If a mistake occurs, they pass on the blame to other employees.

10.2 MOTIVATION

10.2.1 Introduction

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.

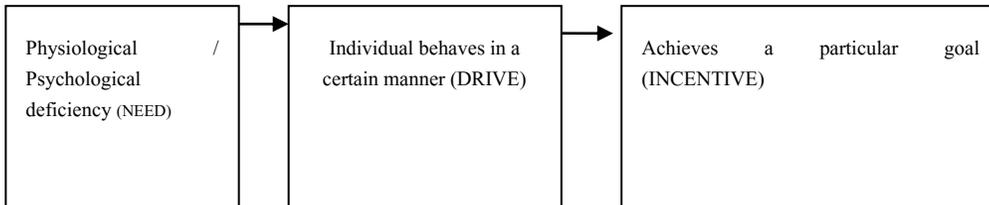
10.2.2 Learning Objectives

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.

10.2.3 The Motivation Process

Fig 1.3 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.

10.2.4 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.

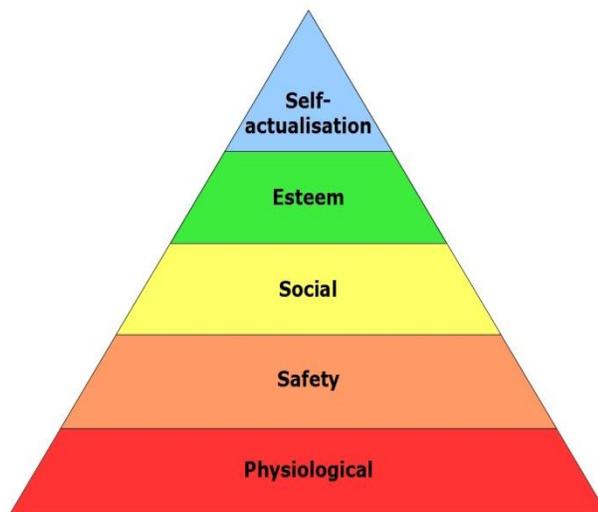
All of the needs are structured into a hierarchy (see below) and only once a lower level of need has been fully met, would a worker be motivated by the opportunity of having the next need up in the hierarchy satisfied. For example a person who is dying of hunger will be motivated to achieve a basic wage 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 1.4 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

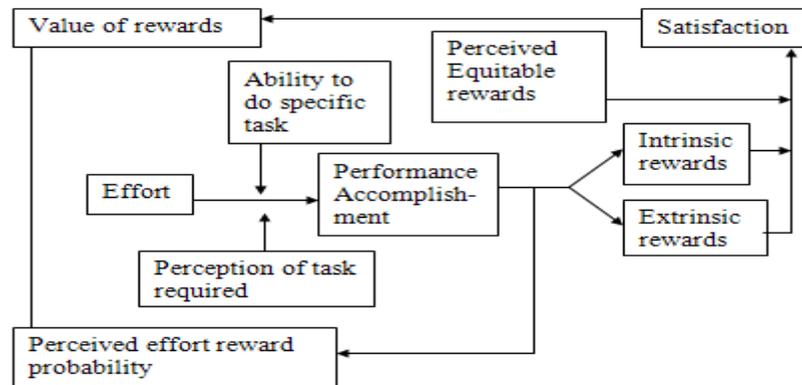
Like the needs-goal theory, motivation strength is determined by the perceived value of the result of performing a behavior and the perceived probability that the behavior performed will cause the result to materialize. As both of these factors increase, so does motivation strength, or the desire to 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 1.5 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

10.3 Communication

10.3.1 Introduction and Definition

Communication is one of the most frequently discussed dynamics in the entire field of organizational behavior, but it is seldom clearly understood. In practice, effective communication is a basic prerequisite for the attainment of organizational objectives, but it has remained one of the biggest problems facing the management. In general, communication may be defined as the process by which information is exchanged between individuals.

Hovland defined communication as “a process by which an individual communicator transmits to modify the behavior of other individuals”

According to Warner Weaver communication is “the procedure by which one mind can affect another”. Theo Haimann defined communication as “the process of passing information and understanding from one person to another. It is the process of imparting ideas and making oneself understood by others”.

10.3.2 Learning Objectives

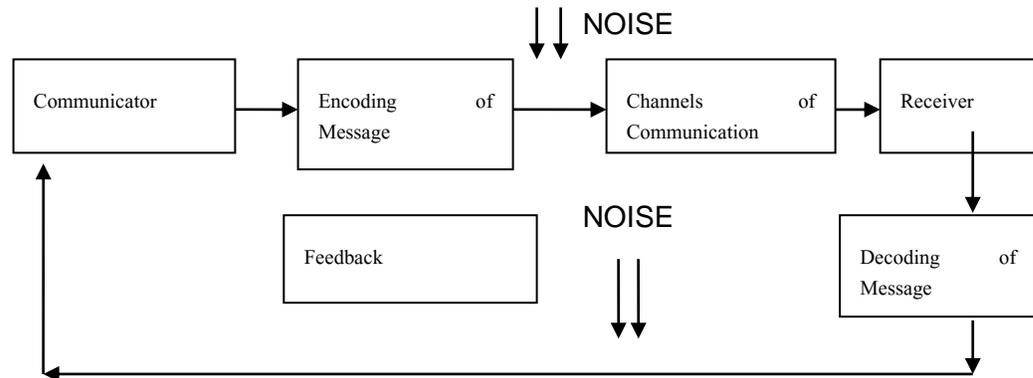
By the end of this chapter the student will be able to learn:

- a) Introduction and Definition
- b) Communication process
- c) Organisational Communication
- d) Direction or Flow of Communication
- e) Barriers to effective communication

10.3.3 Communication Process

It is a two way process which involves a sender and a receiver. Communication is considered complete only when the receiver has been able to understand the message sent by the sender and responds accordingly. The receiver may or may not agree with the point of view of the sender.

Fig 1.6 Communication Process or Cycle



As shown above the process of communication begins when one person (sender) wants to send an idea, fact, opinion or any information to another person (receiver). Next step is encoding of message where it is translated or converted into a language which reflects the idea. This process is influenced by the content of the message, familiarity of the receiver and sender and other situational factors. Once the message has been encoded it is sent through an appropriate channel or medium. These channels include letters, reports, meetings, memos, emails and telephone calls. Once the message is received it is decoded which means the receiver translates the message into such terms which are meaningful to him/her.

10.3.4 Organisational Communication

Organisational Communication is divided into two types: Internal and External.

Internal Communication – When people within the organization communicate with one another it is termed as Internal Communication. Most of the information is sent orally and is communicated at a personal level which is known as informal communication. The information may be between individual to individual or individual to group or department to department. One of the examples of informal communication is grapevine which is present in some measures everywhere. If the atmosphere is secretive it encourages the spread of rumors and half truths. Various modes of internal communication are face-to-face and written communication, for example, Memos, Reports, Office Orders, Circulars, Emails, Fax, Minutes of the Meeting, Manuals.

External Communication – When people in the organization communicate with anyone outside the organization it is called external communication. Outside people may include clients, or customers, dealers or distributors, media, government, general public etc.

External communication can be in the form of brochures, service calls, price lists, purchase order, tender documents, advertisement etc. Most of the businesses and companies spend a lot on the advertisements because they are aware that in order to improve their public image they have to be dependent on external communication.

10.3.5 Direction or Flow of Communication

Communication can be either vertical or downward when considering the flow. Communication that moves in both directions – upwards and downwards is termed as Vertical Communication and communication that moves in lateral direction is termed as Horizontal Communication. Communication can be classified as follows:

- Downward Communication
- Upward Communication
- Horizontal Communication
- Diagonal Communication

Downward Communication - Downward communication is the information that is exchanged between a manager and a subordinate in other words from top level to low level. In the best of cases, the information is clear and direct. The purpose of such communication is to inform about policies, procedures, programmes and objectives and to issue orders and instructions to the subordinates. The information is sent through verbal or written orders.

The objectives of Downward Communication are:

- To train subordinates in performing the job.
- To motivate employees to improve their performance.
- To know how effectively a person is performing his job.
- To explain organisational policies, programmes and procedures.
- To give instructions about what to do and how to do.
- To highlight the areas of attention

Merits of Downward Communication are:

- Job Satisfaction – The management communicates the employees about their better performance in the organization because of which the employees feel motivated.
- Duty and Authority – By assigning duties and giving authority to the employees it becomes clear as to what is expected of them and how much authority is vested in them.

- Plans and Policies – Through downward communication the employees are informed about the organisational plans and policies.
- Mission and Goals – Employees are informed about the mission and goals of the organisation and how they can be an asset by contributing to accomplish the goals.

Demerits of Downward Communication are:

- Distortion - In the long line of downward communication, information is very likely to be distorted because of fabrication during interpretation as made by the subordinates. Information to pass through the long chain of command is supposed to lose its originality at every level.
- Time Consuming - The line of communication is the downward communication is very long. It takes too much time to transmit the information to the lowest level of management. When information reaches the destination, it is too late & the communication loses its significance.
- Reduction of Efficiency - Efficiency is increased when there is a cordial or communicative environment. But downward communication is generally commanding in nature which is against the rules of effective communication. So workers or employees do not get the opportunity to become efficient.
- Incomplete Information – Sometimes managers do not communicate the complete information to the team members because they want the team members to be dependent on them. However, managers do not realize that without complete information the team members will not be able to carry out the tasks efficiently.

Upward Communication – It is non directive in nature. Effective upward communication is possible only when organizations empower their employees and allow them to participate freely in decision making. Through this type of communication employees can communicate information to their superiors freely and can voice their opinion.

Methods of Making Upward Communication More Effective:

- **Grievance Redressal Procedure** – It enables employees to bring forward their work related issues to the notice of the top management and seek immediate assistance. General Electric and Federal Express have set up peer review boards where the arguments of both parties are heard and a decision is arrived at.
- **Open Door Policy** – Under this policy employees are free to approach managers at any time and discuss their problems with them.
- **Counseling, Attitude Questionnaires, Exit Interviews** – The personnel department conducts non directive counseling sessions to help employees deal with their work related issues also, questionnaires may be

administered periodically to find out about employees attitude towards work. Exit interviews are held for finding out the reason for leaving and for giving suggestions for improving the workplace.

- **The Ombudsperson** – Through an ombudsperson the employees can have their problems resolved quickly without going through lengthy channels.

Horizontal Communication– Horizontal communication is necessary to develop a collaborative and proactive culture in an organisation. People communicate with others at their own level, in their own departments or other departments, to solve problems and to share experiences. Devices such as problem clinics and task forces are used for this purpose.

A problem clinic is conducted by people concerned with a problem to diagnose and generate alternative solutions. A task force is constituted of persons from different departments or different sections to work on a given problem and make necessary recommendations to solve the problem.

Horizontal communication involves not only the movement of information from the upper levels to the lower levels of the organizational hierarchy but also is defined primarily as the quality of information sharing among peers at similar levels.

The main objectives of horizontal communication are developing teamwork, and promoting group coordination within an organization. It takes place between professional peer groups or people working on the same level of hierarchy. Horizontal communication is less formal and structured than both downward communication and upward communication, and may be carried out through informal discussions, management gossip, telephone calls, teleconferencing, videoconferencing, memos, routine meetings and so on.

Vertical Communication - Vertical communication occurs between various hierarchies. It maybe upward or downward. For example manager to employee, general manager to managers, foreman to machine operator, head of the department to cashiers, etc.

Downward communication is more prevalent than upward communication. It is suggested that downward communication is most effective if top managers communicate directly with immediate supervisors and immediate supervisors communicate with their staff. The major purposes of downward communication are to advise, inform, direct, instruct, and evaluate employees and to provide organization members with information about organizational goals and policies.

10.3.5 Barriers to Communication

No matter how good the communication system in an organization is, unfortunately barriers can and do often occur. This may be caused by a number

of factors which can usually be summarised as being due to physical barriers, system design faults or additional barriers.

Perceptual Barrier

This is one of the most common barriers to communication because different people interpret our actions, words and mannerisms in different ways. People want to receive those messages which are of significance to them. Perceptions of people differ and depend on the cultural, emotional, personal and spiritual background of the person. People normally tend to assume things rather than clarifying it with the other person. When this happens, communication is blocked right away and conflict arises. That is why it is important to clarify things before reacting.

Language Barrier

Language is another barrier to communication. Sometimes, we don't realize and we use such words or phrases which may or may not be understood by the other person, thus leading to a barrier. This could be words from a dialect that is not common to the people in your office or it could be jargon that others don't know the meaning to. Therefore, one should only use such words which are common and easily understood by all rather than showing off how good a grasp you have over the language and unnecessary causing a barrier between you and the listener.

Interpersonal Barriers to Communication

Interpersonal barriers, on the other hand, are barriers to communication that come as a result of the way different people relate to one another. Some people may lack the social skills, therefore they withdraw. Others may find it hard to make time to get to know their co-workers on a more personal level because of their routines like work, and after office activities.

Information Overload

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

Time Pressures

Often in organization the targets have to be achieved within a specified time period, the failure of which has adverse consequences. In a haste to meet deadlines, the formal channels of communication are shortened, or messages are partially given, i.e., not completely transferred. Thus sufficient time should be given for effective communication.

Distraction/Noise

Communication is also affected a lot by noise to distractions. Physical distractions are also there such as, poor lighting, uncomfortable sitting, unhygienic room also affects communication in a meeting. Similarly use of loud speakers interferes with communication.

Emotions

Emotional state at a particular point of time also affects communication. If the receiver feels that communicator is angry he interprets that the information being sent is very bad. While he takes it differently if the communicator is happy and jovial (in that case the message is interpreted to be good and interesting).

Complexity in Organizational Structure

Greater the hierarchy in an organization (i.e. more the number of managerial levels), more is the chances of communication getting destroyed. Only the people at the top level can see the overall picture while the people at low level just have knowledge about their own area and a little knowledge about other areas.

Poor retention

Human memory cannot function beyond a limit. One can't always retain what is being told specially if he is not interested or not attentive. This leads to communication breakdown.

10.4 SUMMARY

In this unit we have learnt that motivational theories address different outcome variables. Some, for instance, are directed at explaining turnover, while other focus on productivity. Leadership theories search for the key elements that make leaders effective. Trait theories looked for basic traits whereas contingency theories proposed that the effectiveness of a leader's behavior was contingent on the situation. The situational theories suggested four styles according to the developmental level of the group in terms of competence, commitment and team work. Communication is the process of sharing goal-oriented messages between two or more sources through a medium or media. The various elements in communication are the source, the target, the transmitted message, the received message, the goal of the message and the medium.. Feedback is the most important element requiring special attention.

10.5 GLOSSARY

- **Hygiene factors** include salary, job security, working conditions, organizational policies, and technical quality of supervision.
- **Trait theory** – It focuses on physical, social and intellectual traits that distinguish leaders from others.
- **Contingency theory** – It suggests that effectiveness of an approach depends on the situation.
- **Internal Communication** – When people within the organization communicate with one another.
- **External Communication** – When people in the organization communicate with anyone outside the organization.

- **Open Door Policy** – Under this policy employees are free to approach managers at any time and discuss their problems with them.

10.6 ANSWER TO CHECK YOUR PROGRESS/POSSIBLE ANSWERS TO SAQ

Traits of a good leader are:

- Energy, drive
- Appearance
- Enthusiasm
- Intelligence
- Judgment
- Initiative
- Tact and Diplomacy
- Emotional Stability
- Will power and Flexibility
- Knowledge of Human Relations

Leadership skills are:

- Technical
- Human
- Conceptual

Leadership Theories are:

Trait Theories, Behavioral Theories (The Managerial Grid), Contingencies Theories (Fielder's Contingency Theory, Hersey and Blanchard's Situational Theory).

Motivation theories are:

Content Theories (Maslow's Hierarchy of Needs, McGregor's Theory X and Y, Herzberg's two-factor theory), Process Theories (Vroom Expectancy Theory, Porter-Lawler Theory), Contemporary Theories (McClelland's acquired needs theory)

Communication Process is:

It is a two way process which involves a sender and a receiver. Communication is considered complete only when the receiver has been able to understand the message sent by the sender and responds accordingly. The receiver may or may not agree with the point of view of the sender.

Organisational Communication is of two types:

Internal Communication – When people within the organization communicate with one another it is termed as Internal Communication.

External Communication – When people in the organization communicate with anyone outside the organization it is called external communication.

Direction or Flow of Communication

- Downward Communication
- Upward Communication
- Horizontal Communication
- Diagonal Communication

10.7 SUGGESTED READINGS

- Mintzberg, Henry, *"The Nature of Managerial Work"*, Harper & Row
- Chandan, J.S. *"Organisational Behavior"*, Vikas Publishing House Pvt. Ltd.

10.8 TERMINAL AND MODEL QUESTIONS

1. Justify whether leadership is an inborn trait or is it an art learnt with time.
2. How does Trait theory of leadership differ from Behavior theory of leadership? Which theory is more applicable in today's time?
3. Explain Maslow's Need Theory and under what circumstances would it justify a different need priority.
4. How is Aldefer's ERG theory similar to Maslow's Need theory?
5. Describe in detail the various barriers to communication.
6. Is downward communication a preferred mode of communication. Justify.

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UNIT 11: CONTROLLING: NEED AND IMPORTANCE OF CONTROL; METHODS OF CONTROL

- 11.1 Introduction
- 11.2 Objectives
- 11.3 Control Defined
- 11.4 Need & Importance of Control
- 11.5 Methods of Control
 - 11.5.1 Financial controls
 - 11.5.2 Budget controls
 - 11.5.3 Marketing controls
 - 11.5.4 Human resource controls
 - 11.5.5 Computers and information controls
- 11.6 The Major Prerequisites of Control
- 11.7 Types of Control
 - 11.7.1 Feed forward Control
 - 11.7.2 Concurrent Control
 - 11.7.3 Feedback Control
 - 11.7.4 Multiple Controls
- 11.8 Nature of Control
- 11.9 Elements of Control
- 11.10 Summary
- 11.11 Glossary
- 11.12 Answers to Check your Progress
- 11.13 Bibliography/Selected Readings
- 11.14 Terminal Questions

11.1 INTRODUCTION

Controlling is a four-step process of establishing performance standards based on the firm's objectives, measuring and reporting actual performance, comparing the two, and taking corrective or preventive action as necessary.

Performance standards come from the planning function. No matter how difficult, standards should be established for every important task. Although the temptation may be great, lowering standards to what has been attained is not a solution to performance problems. On the other hand, a manager does need to lower standards when they are found to be unattainable due to resource limitations and factors external to the business.

Corrective action is necessary when performance is below standards. If performance is anticipated to be below standards, preventive action must be taken to ensure that the problem does not recur. If performance is greater than or equal to standards, it is useful to reinforce behaviors that led to the acceptable performance.

11.2 OBJECTIVES

After reading this unit you should be able to

- Have knowledge of controlling, its nature and overall importance
- Understand the various elements involved in the controlling process
- Understand the various methods of control and how to use them

11.3 CONTROL DEFINED

Controlling may be defined as the process of ensuring that activities are producing the desired results. It involves guiding and regulating operations towards some pre determined goal.

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

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

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

Simply put, *organizational control* is the process of assigning, evaluating, and regulating resources on an ongoing basis to accomplish an organization's goals. To successfully control an organization, managers need to not only know what the performance standards are, but also figure out how to share that information with employees. Control can be defined narrowly as the process a manager takes to assure that actual performance conforms to the organization's plan, or more broadly as anything that regulates the process or activity of an organization. The six major purposes of controls are as follows:

- **Controls make plans effective.** Managers need to measure progress, offer feedback, and direct their teams if they want to succeed.
- **Controls make sure that organizational activities are consistent.** Policies and procedures help ensure that efforts are integrated.

- **Controls make organizations effective.** Organizations need controls in place if they want to achieve and accomplish their objectives.
- **Controls make organizations efficient.** Efficiency probably depends more on controls than any other management function.
- **Controls provide feedback on project status.** Not only do they measure progress, but controls also provide feedback to participants as well. Feedback influences behavior and is an essential ingredient in the control process.
- **Controls aid in decision making.** The ultimate purpose of controls is to help managers make better decisions. Controls make managers aware of problems and give them information that is necessary for decision making.

Many people assert that as the nature of organizations has changed, so must the nature of management controls. New forms of organizations, such as self-organizing organizations, self-managed teams, and network organizations, allow organizations to be more responsive and adaptable in today's rapidly changing world. These forms also cultivate empowerment among employees, much more so than the hierarchical organizations of the past.

Some people even claim that management shouldn't exercise any form of control whatsoever, and should only support employee efforts to be fully productive members of organizations and communities. Along those same lines, some experts even use the word "coordinating" in place of "controlling" to avoid sounding coercive. However, some forms of controls must exist for an organization to exist. For an organization to exist, it needs some goal or purpose, or it isn't an organization at all. Individual behaviors, group behaviors, and all organizational performance must be in line with the strategic focus of the organization.

11.4 NEED & IMPORTANCE OF CONTROL

Control is an indispensable function of management process. Without the control function, management process is incomplete. In business organizations, the need for control arises due to several factors. First, it is difficult to establish fully accurate standards of performance in large and complex organizations. An executive needs all kinds of timely information which are not always available. Control is required to judge the accuracy of standards. Secondly, there are several temptations in business. Employees are entrusted with large sums of money and valuable resources. In the absence of control, employees may yield to these temptations. An efficient control system helps to minimize dishonest behavior on the part of employees. Thirdly, in the absence of control, employees may become lax in their efforts and their performance may be below normal.

The control function helps business management in various ways. It guides the management in achieving pre-determined goals. The control process

also ensures the efficiency of various functions. The shortcoming in various fields is also reported for taking corrective measures. Control provides basis for future action. The continuous flow of information about projects keeps the long range of planning on the right track. It helps in taking corrective actions in future if the performance is not up to the mark. It also enables management to avoid repetition of past mistakes. Whenever there is deviation between standard and actual performance the control helps in deciding the future course of action.

A decision about follow-up action is also facilitated. Decentralization of authority is necessary in big enterprises. The management cannot delegate authority without ensuring proper control. The targets or goals of various departments are used as a control technique.

If the work is going on satisfactory then top management should not feel worried. The management by exception enables top management to concentrate on policy formulation. Various control techniques like budgeting, cost control, pre action approvals etc. allow decentralization without losing control over activities.

Control helps in coordination of activities through unity of action. Every manager will try to coordinate the activities of his subordinates in order to achieve departmental goals. Similarly the chief executive also coordinates the functioning of various departments. The control acts as a check on the performance and proper results are achieved only when activities are coordinated. The control system helps in improving organizational efficiency. Various control devices act as motivators to managers. The performance of every person is regularly monitored and any deficiency if present is corrected at the earliest. Controls put psychological pressure on persons in the organization.

Everybody knows that his performance is regularly evaluated and he will try to improve upon his previous work. The rewards and punishments are also linked with performance. The employees will always be under pressure to improve upon their work. Since performance measurement is one of the important tools of control, it ensures that every person tries to maximize his contribution. The significance of Control function of manager can be described as follows:

- **Controlling helps in accomplishing organizational goals:** Controlling is a goal oriented process. It aims at taking all necessary action for bringing actual results closer to desired results. It plays an important role in achieving objectives of organization. It is only through controlling all activities are directed towards the planned objectives. By exercising an efficient control the manager keeps a close watch and monitors the performance at various levels of the organization.
- **Controlling brings order and discipline in the organization:** Organisations are formed and managed by human beings. Thus the working of these organizations is subject to many imperfections and mistakes. Because every individual has a natural tendency to distort the functioning of it and make it as

per his convenience and comforts. If such tendencies are not controlled timely, they may result in disorders, indiscipline and chaotic conditions.

- **Control facilitates efficient use of resources:** By exercising a control, the manager attempts to reduce wastage, spoilage and leakage with regard to the use of resources of an organization. He seeks the performance of each activity in accordance with predetermined standards and norms. The resources are used in such a way so that neither they remain utilised nor they are over used.
- **Control also helps in the effective implementation of plans:** Without an efficient control system in the organization plans prepared by the manager cannot be implemented properly. It is through controlling, necessary actions are initiated to ensure that each plan is implemented in a predetermined manner. Controlling also ensures required information regarding the progress of work so that proper monitoring of implementation of plan can be made on a regular basis
- **Controlling helps in boosting the morale of the employees:** Controlling creates order and discipline in the organization. Every employee knows it very well that what he is expected to do and what are the standard of performance against which his performance is to be compared. It ultimately induces them to follow set standards. Such healthy attitude on the part of the employee toward the work helps in keeping morale of the employees at the higher level.
- **Controlling facilitates coordination:** Controlling provides direction to all activities and efforts for achieving organizational goals in a planned manner. Each department and individual employee is governed by prescribed standards of performance and pre determined objectives. It all results in well coordinated functioning of these units towards the achievement of objectives.

Controlling is a function in the management cycle closely related to planning. Controlling is a six-step process that involves several systematic approaches to ensure performance standards are met in the most efficient way possible. While controlling is a complicated management function, its importance must not be under-rated.

1. Establish performance standards. Performance standards give employees an idea of what is expected of them and tells them how you assess their performance. This is key to maintain management control.
2. Conduct a job analysis and create a job description for each position within the company. Give feedback regularly and give annual performance appraisals. This makes the employee aware of her individual strengths and weaknesses.
3. Monitor and measure performance. Draw up a new business plan and assess current performance against expectations. Refocus the efforts of managers, employees and stakeholders as needed.
4. Compare your measured performance against established standards. If anticipated performance is below average, take preventive corrective actions to ensure compliance to specified performance standards before a problem occurs.

5. Take corrective action. This is often a difficult aspect of the controlling function of management. When problems arise, handle the situations fast and efficiently. Ignoring a challenging situation only makes things worse.

6. Practice preventative methods like coaching in order to avoid corrective action. Coaching allows for consistent feedback from management. It also helps train employees on a daily basis and eliminates the need for severe corrective action except in extreme circumstances.

11.5 METHODS OF CONTROL

Control techniques provide managers with the type and amount of information they need to measure and monitor performance. The information from various controls must be tailored to a specific management level, department, unit, or operation.

To ensure complete and consistent information, organizations often use standardized documents such as financial, status, and project reports. Each area within an organization, however, uses its own specific control techniques, described in the following sections.

11.5.1 Financial controls

After the organization has strategies in place to reach its goals, funds are set aside for the necessary resources and labor. As money is spent, statements are updated to reflect how much was spent, how it was spent, and what it obtained. Managers use these financial statements, such as an income statement or balance sheet, to monitor the progress of programs and plans. **Financial statements** provide management with information to monitor financial resources and activities. The **income statement** shows the results of the organization's operations over a period of time, such as revenues, expenses, and profit or loss. The *balance sheet* shows what the organization is worth (assets) at a single point in time, and the extent to which those assets were financed through debt (liabilities) or owner's investment (equity).

Financial audits, or formal investigations, are regularly conducted to ensure that financial management practices follow generally accepted procedures, policies, laws, and ethical guidelines. Audits may be conducted internally or externally. **Financial ratio analysis** examines the relationship between specific figures on the financial statements and helps explain the significance of those figures:

- **Liquidity ratios** measure an organization's ability to generate cash.
- **Profitability ratios** measure an organization's ability to generate profits.
- **Debt ratios** measure an organization's ability to pay its debts.
- **Activity ratios** measure an organization's efficiency in operations and use of assets.

In addition, *financial responsibility centers* require managers to account for a unit's progress toward financial goals within the scope of their influences. A manager's goals and responsibilities may focus on unit profits, costs, revenues, or investments.

11.5.2 BUDGET CONTROLS

A budget depicts how much an organization expects to spend (expenses) and earn (revenues) over a time period. Amounts are categorized according to the type of business activity or account, such as telephone costs or sales of catalogs. Budgets not only help managers plan their finances, but also help them keep track of their overall spending. A budget, in reality, is both a planning tool and a control mechanism. Budget development processes vary among organizations according to who does the budgeting and how the financial resources are allocated. Some budget development methods are as follows:

- **Top-down budgeting.** Managers prepare the budget and send it to subordinates.
- **Bottom-up budgeting.** Figures come from the lower levels and are adjusted and coordinated as they move up the hierarchy.
- **Zero-based budgeting.** Managers develop each new budget by justifying the projected allocation against its contribution to departmental or organizational goals.
- **Flexible budgeting.** Any budget exercise can incorporate flexible budgets, which set “meet or beat” standards that can be compared to expenditures.

11.5.3 Marketing controls

Marketing controls help monitor progress toward goals for customer satisfaction with products and services, prices, and delivery. The following are examples of controls used to evaluate an organization's marketing functions:

- **Market research** gathers data to assess customer needs—information critical to an organization's success. Ongoing market research reflects how well an organization is meeting customers' expectations and helps anticipate customer needs. It also helps identify competitors.
- **Test marketing** is small-scale product marketing to assess customer acceptance. Using surveys and focus groups, test marketing goes beyond identifying general requirements and looks at what (or who) actually influences buying decisions.
- **Marketing statistics** measure performance by compiling data and analyzing results. In most cases, competency with a computer spreadsheet program is all a manager needs. Managers look at *marketing ratios*, which measure profitability, activity, and market shares, as well as *sales quotas*, which measure progress toward sales goals and assist with inventory controls.

Unfortunately, scheduling a regular evaluation of an organization's marketing program is easier to recommend than to execute. Usually, only a crisis, such as increased competition or a sales drop, forces a company to take a closer look at its marketing program. However, more regular evaluations help minimize the number of marketing problems.

11.5.4 HUMAN RESOURCE CONTROLS

Human resource controls help managers regulate the quality of newly hired personnel, as well as monitor current employees' developments and daily performances. On a daily basis, managers can go a long way in helping to control workers' behaviors in organizations. They can help direct workers' performances toward goals by making sure that goals are clearly set and understood. Managers can also institute policies and procedures to help guide workers' actions. Finally, they can consider past experiences when developing future strategies, objectives, policies, and procedures.

Common control types include performance appraisals, disciplinary programs, observations, and training and development assessments. Because the quality of a firm's personnel, to a large degree, determines the firm's overall effectiveness, controlling this area is very crucial.

11.5.5 COMPUTERS AND INFORMATION CONTROLS

Almost all organizations have confidential and sensitive information that they don't want to become general knowledge. Controlling access to computer databases is the key to this area.

Increasingly, computers are being used to collect and store information for control purposes. Many organizations privately monitor each employee's computer usage to measure employee performance, among other things. Some people question the appropriateness of computer monitoring. Managers must carefully weigh the benefits against the costs—both human and financial—before investing in and implementing computerized control techniques.

Although computers and information systems provide enormous benefits, such as improved productivity and information management, organizations should remember the following limitations of the use of information technology:

- **Performance limitations.** Although management information systems have the potential to increase overall performance, replacing long-time organizational employees with information systems technology may result in the loss of expert knowledge that these individuals hold. Additionally, computerized information systems are expensive and difficult to develop. After the system has been purchased, coordinating it—possibly with existing equipment—may be more difficult than expected. Consequently, a company may cut corners or install the system carelessly to the detriment of the system's performance and utility. And

like other sophisticated electronic equipment, information systems do not work all the time, resulting in costly downtime.

- **Behavioral limitations.** Information technology allows managers to access more information than ever before. But too much information can overwhelm employees, cause stress, and even slow decision making. Thus, managing the quality and amount of information available to avoid information overload is important.
- **Health risks.** Potentially serious health-related issues associated with the use of computers and other information technology have been raised in recent years. An example is carpal tunnel syndrome, a painful disorder in the hands and wrists caused by repetitive movements (such as those made on a keyboard).

Regardless of the control processes used, an effective system determines whether employees and various parts of an organization are on target in achieving organizational objectives.

11.6 THE MAJOR PREREQUISITES OF CONTROL

1. **Plan:** Controls must be based on plan. The more clear and complete the plans are, the more effective controls can be; plans become the standards by which the actions are referred.
2. **Structure:** There is need for a structure to know where the responsibility rests for deviations and corrective action, if any needed. As in the case of plans, the more clear and complete the organization structure is the more effective control can be.

CHECK YOUR PROGRESS-1

Answer the following questions.

1. Define the concept of Control.

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2. What are the prerequisites of control?

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3. What are the various methods of control?

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Check your answer with the one given at the end of the unit.

11.7 TYPES OF CONTROL

Management can implement controls before an activity commences, while the activity is going on, or after the activity has been completed. The three respective types of control based on timing are feedforward, concurrent, and feedback.

11.7.1 Feedforward Control

Feedforward control focuses on the regulation of inputs (human, material, and financial resources that flow into the organization) to ensure that they meet the standards necessary for the transformation process.

Feedforward controls are desirable because they allow management to prevent problems rather than having to cure them later. Unfortunately, these control require timely and accurate information that is often difficult to develop. Feedforward control also is sometimes called **preliminary control**, **precontrol**, **preventive control**, or **steering control**.

11.7.2 Concurrent Control

Concurrent control takes place while an activity is in progress. It involves the regulation of ongoing activities that are part of transformation process to ensure that they conform to organizational standards. Concurrent control is designed to ensure that employee work activities produce the correct results.

Since concurrent control involves regulating ongoing tasks, it requires a through understanding of the specific tasks involved and their relationship to the desired and product. Concurrent control sometimes is called **screening** or **yes-no control**, because it often involves checkpoints at which determinations are made about whether to continue progress, take corrective action, or stop work altogether on products or services.

11.7.3 Feedback Control

This type of control focuses on the outputs of the organization after transformation is complete. Sometimes called **postaction** or **output control**, fulfils a number of important functions. For one thing, it often is used when feedforward and concurrent controls are not feasible or are too costly.

Sometimes, feedback is the only viable type of control available. Moreover, feedback has two advantages over feedforward and concurrent control. *First*, feedback provides managers with meaningful information on how effective its planning effort was. If feedback indicates little variance between standard and actual performance, this is evidence that planning was generally on target. If the deviation is great, a manager can use this information when formulating new plans to make them more effective. *Second*, feedback control can enhance employees motivation.

The major drawback of this type of control is that, the time the manager has the information and if there is significant problem the damage is already done. But for many activities, feedback control fulfils a number important function.

11.7.4 Multiple Controls

Feedforward, concurrent, and feedback control methods are not mutually exclusive. Rather, they usually are combined into a multiple control systems. Managers design control systems to define standards of performance and acquire information feedback at strategic control points.

Strategic control points are those activities that are especially important for achieving strategic objectives. When organizations do not have multiple control systems that focus on strategic control points, they often can experience difficulties that cause managers to reevaluate their control processes.

11.8 NATURE OF CONTROL

1. Control Process is Universal
2. Control is a Continuous Process
3. Control is Forward Looking
4. Control involves Measurement
5. Control is an Influence Process
6. Management Control is a System
7. Control is best aimed at results not at people as such
8. Control is goal oriented

11.9 ELEMENTS OF CONTROL

1. Planning: control is designed to achieve certain objectives. Planning involves the setting of objectives to be accomplished and the actions to be required to attain them. Unless the goals are specific and clear, it is not possible to determine whether the action is proceeding along the right lines. Control also involves detecting deviations from the chartered course. In the absence of planning, control is blind as there are no criteria for measuring and evaluating results and for identifying deviations.

2. Information Feedback: Control involves comparison of actual performance with planned performance. Such comparison is possible only when management is supplied with adequate and accurate information at the right time. The effectiveness of a control system depends upon the information system of the organization.

3. Delegation of Authority: control action can be taken only when adequate authority has been delegated to detect deviations and to correct them. In the absence of adequate authority, a manager cannot take effective steps for

correcting deviations from the standards. Need for control rises when ever authority is delegated to subordinates.

4. Remedial Action: There is no control until action is taken to rectify the mistakes and deviations. Mere reporting of actual performance or its comparison with predetermined standards is not sufficient. Unless timely action is taken to adjust operations to standards, control process is incomplete. Corrective action may involve setting of new goals, change in organization structure, improvement in staffing and new techniques of directing.

Thus planning is the basis, action is the essence, delegation is the key and information is the guide to control.

Check your progress-2

Answer the following questions.

1. Name the Elements of Control.

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2. What are the elements of the Nature of Control?

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3. What are the various types of control?

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.....

Check your answer with the one given at the end of the unit.

11.10 SUMMARY

Controlling is a four-step process of establishing performance standards based on the firm's objectives, measuring and reporting actual performance, comparing the two, and taking corrective or preventive action as necessary.

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

Control is an indispensable function of management process. Without the control function, management process is incomplete. In business organizations, the need for control arises due to several factors.

The control system helps in improving organizational efficiency. Various control devices act as motivators to managers. The performance of every person is regularly monitored and any deficiency if present is corrected at the earliest. Controls put psychological pressure on persons in the organization

11.11 GLOSSARY

- Efficiency: the state or quality of being efficient
- Deviations: the difference between one of a set of values and some fixed value, usually the mean of the set.
- Concurrent: occurring or existing simultaneously or side by side: *concurrent attacks by land, sea, and air*
- Audit: an official examination and verification of accounts and records, especially of financial accounts.

11.12 ANSWERS TO CHECK YOUR PROGRESS

Check your progress-1

1. See Sec 11.3.
2. See Sec 11.6
3. See Sec 11.5

Check your progress-2

1. See Sec 11.9.
2. See Sec 11.8
3. See Sec 11.7

11.13 BIBLIOGRAPHY/SELECTED READINGS

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2. Management – H. Koontz & Cyril O' Donnell.
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11.14 TERMINAL QUESTIONS

1. Define Managerial Control and explain its elements.
2. Critically examine the following statement, 'If you want to control everything, you may end up controlling nothing'.
3. Explain the importance of Controlling.
4. Discuss the nature of Managerial Control.
5. Controlling ensures an efficient performance of other managerial functions. Comment.

UNIT 12: CHARACTERISTICS OF EFFECTIVE CONTROL; CONTROLLING A TOURISM ORGANISATION: CHALLENGES & STRATEGIES

STRUCTURE

- 12.1 Introduction
 - 12.1.1 Definitions
- 12.2 Prerequisites of control
- 12.3 The Control Process Involves Three Steps
- 12.4 Features of Controlling Function
 - 12.4.1 Controlling is an end function
 - 12.4.2 Controlling is a pervasive function
 - 12.4.3 Controlling is forward looking
 - 12.4.4 Controlling is a dynamic process
 - 12.4.5 Controlling is related with planning
- 12.5 Characteristics of Effective Control
 - 12.5.1 Accurate
 - 12.5.2 Timely
 - 12.5.3 Objective and Comprehensible
 - 12.5.4 Focused on Strategic Control Points
 - 12.5.5 Economically and Organizationally Realistic
 - 12.5.6 Coordinated with the Organization's Work Flow
 - 12.5.7 Flexible
 - 12.5.8 Prescriptive and Operational
 - 12.5.9 Accepted by Organization Members
- 12.6 Controlling a Tourism Organisation
- 12.7 Challenges and Strategies:
 - 12.7.1 Sector Specific Challenges
 - 12.7.2 Industry Specific Challenges
 - 12.7.3 India Specific Challenges
- 12.8 Strategies
- 12.9 Summary
- 12.10 Glossary
- 12.11 Answer to Check Your Progress
- 12.12 References / Bibliography
- 12.13 Terminal and Model Questions

12.1 INTRODUCTION

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

Controlling has got two basic purposes

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

12.1.1 Definitions

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

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

12.2 PREREQUISITES OF CONTROL

They are of two types: a plan and a structure.

a) Plan: controls must be based on a plan. The more clear and concrete the plans are the more effective controls can be; plans become the standards by which the actions are measured.

b) Structure: There is need for a structure to know where the responsibility rests for deviations and corrective action, if needed. As in the case of plans, the more clear and complete the organisation structure is, the more effective control can be.

12.3 THE CONTROL PROCESS INVOLVES THREE STEPS:

i) Establishing Standards: Standards man 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.

ii) 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.

iii) 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.

12.4 FEATURES OF CONTROLLING FUNCTION

Control as an element of management process involves analyzing whether actions are being taken as planned and taking corrective actions to make these to conform to planning. Therefore, control has the following features:

12.4.1 Controlling is an end function

Controlling takes place once the tasks are carried out as per the plans. It is done to ensure that all the activities or strategies which were devised are happening well and that there are no deviations from the actual plan. If any deviations are found then they need to be rectified immediately.

12.4.2 Controlling is a pervasive function

It means that it is performed by managers at all levels and in all type of concerns. It is not one man’s job but each manager in his/her area has to ensure that all the work is being carried out effectively. According to the level of a manager in the organisation, the nature, scope and limit of his control function may be different as compared to a manager at other levels.

12.4.3 Controlling is forward looking

Control is forward looking because one can control future happenings and not the past. However, in control process, always the past performance is measured because no one can measure the outcome of a happening which has not occurred and effective control is not possible without past being controlled. Keeping these things in mind, managers suggest corrective actions for future period.

12.4.4 Controlling is a dynamic process

Since controlling requires taking reviewable methods; changes have to be made wherever possible.

12.4.5 Controlling is related with planning

Planning and Controlling are two inseparable functions of management. Planning presupposes controlling and controlling succeeds planning.

12.5 CHARACTERISTICS OF EFFECTIVE CONTROL

Controls, to be effective, should share the following basic characteristics:

12.5.1 Accurate

Information on performance must be accurate. Evaluating the accuracy of the information they receive is one of the most important control tasks that managers face.

12.5.2 Timely

Information must be collected, routed, and evaluated quickly if action is to be taken in time to produce improvements.

12.5.3 Objective and Comprehensible

The information in a control system should be understandable and be seen as objective by the individuals who use it. A difficult-to-understand control system will cause unnecessary mistakes and confusion or frustration among employees.

12.5.4 Focused on Strategic Control Points

The control system should be focused on those areas where deviations from the standards are most likely to take place or where deviations would lead to the greatest harm.

12.5.5 Economically and Organizationally Realistic

The cost of implementing a control system should be less than, or at most equal to, the benefits derived from the control system. The control system has to be compatible with organizational realities and all standards for performance must be realistic.

12.5.6 Coordinated with the Organization's Work Flow

Control information needs to be coordinated with the flow of work through the organization for two reasons: (1) each step in the work process may affect the success or failure of the entire operation, (2) the control information must get to all the people who need to receive it.

12.5.7 Flexible

Controls must have flexibility built into them so that the organizations can react quickly to overcome adverse changes or to take advantage of new opportunities.

12.5.8 Prescriptive and Operational

Control systems ought to indicate, upon the detection of the deviation from standards, what corrective action should be taken.

12.5.9 Accepted by Organization Members

For a control system to be accepted by organization members, the controls must be related to meaningful and accepted goals. Controls will not work unless people want them to. They should be acceptable to those to whom they apply.

12.6 CONTROLLING A TOURISM ORGANISATION

Tourism management as well as tourism operations require extraordinary 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 functions like controlling, delegation and inter-department coordination. 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; authority and responsibility has to be delegated and a lot of inter-department coordination is required not only to earn profits for the firm but also to provide better services to the customers.

Tourism is one of the world's largest industries. The World Travel and Tourism Council (WTTC) estimate that tourism generates some 12% of the world total GNP. Tourism offers well-known advantages. Visitor fees, concessions and donations provide funds for restoration and protection efforts. Visitors may be recruited as friends of a site and can help generate international support. Tour operators and hotel chains can play a role in the management of a site by making financial contributions, aiding monitoring efforts, or instructing their clients in responsible tourism. Tourism can also promote cultural values by supporting local handicrafts or by offering alternative economic activities. However, inspite of having these advantages it is essential to have control on tourism and its related activities to ensure that all things are in place.

There are various tourism organizations like: **Association of British Travel Agents (ABTA)**, **International Air Transport Association (IATA)**, **Hotel and Catering International Management Association (HCIMA)**, **World Tourism Organisation (WTO)** etc. In the following section we will study how tourism organizations play a vital role in having a control over tourism activities with special reference to IATA:



Objectives of IATA

1. Control of Illegal Migration

The IATA/Control Authorities Working Group (IATA/CAWG) serves as a forum for ongoing dialogue between Airlines and Immigration officials in respect of the control of illegal migration. The main imperative is to establish an informal atmosphere, in which Immigration authorities from the various member states and representatives of their national carriers can develop mutually acceptable working arrangements and general principles that recognize the needs and limitations of the various interested parties.

Because of this IATA/CAWG's unique forum and hence building upon the relationships that have been forged over the 15 years of existence of this forum, government and airline representatives are able to work closely together in a relaxed and cooperative meeting environment.

2. IATA De-Icing/Anti-Icing Quality Control Pool (DAQCP)

The main goal of the **DAQCP** is to ensure the safety guidelines, quality control recommendations and standards of the De-icing/Anti-icing procedures at all airports are followed.

The DAQCP is well regarded by the Handling companies and work closely together to achieve the airlines regulators requirements. A number of airlines established an audit pool to share the audit results - thus avoiding multiple audits of the same provider at the same location, while improving the quality of inspections as fewer and more effective audits are carried out by accredited DAQCP inspectors in accordance with stringent evaluation criteria established by the Pool. The stations are assigned each year by the Pool and are based on the airports served by airline DAQCP members.

Objective: The Pool has developed its own set of procedures and checklists for conducting airfield inspections and audits. Although the primary objective of the DAQCP is to ensure the safety of aircraft operations, participating airlines derive important financial benefits in terms of drastically reduced airport inspection workloads and associated costs.

DAQCP: The **De-Icing/Anti-Icing Quality Control Pool** known as **DAQCP** currently consists of about 100 member airlines and provides de-icing/anti-icing services and post de-icing/anti-icing checks during the winter season at about 600 companies at more than 240 airports. The DAQCP also offers a passive membership to operators that do not have an audit organization or the experience in winter operations.

The quality control is based on the AEA Recommendations for De-icing/Anti-icing of aeroplane on the ground and the JAR-OPS 1 , EU-OPS 1. The audits are accomplished in yearly intervals during the winter season between

October and April and are based on checklists developed by the steering committee. Checklists are updated yearly after consideration of the latest developments in de-icing/anti-icing techniques and are in line with the AEA-Recommendations. Audit reports as well as the audit related communication are exchanged within the DAQCP by electronic mails within a required timeframe as defined in the pool agreement. Safety related findings are reported to all members immediately with Alert-letters if applicable. The DAQCP audits comprise the following subjects:

- Compliance of Procedures and Documentation with acceptable standards
- Training and Qualification of personnel
- De-icing/Anti-icing Facilities
- De-icing/Anti-icing Equipment
- Integrity of sprayed De-icing/Anti-icing Fluids

3. IATA Drinking-Water Quality Pool (IDQP)

The IATA Drinking-Water Quality Pool (IDQP) was created by a number of airlines to share audits on drinking-water quality around the world. IDQP also developed its own procedures for conducting airfield inspections, using the highest quality standards. The pool also manages:

- Training and certification of auditors
- Annual allocation of station
- Collection and consolidation of audits results
- And communication of audit results (through a website).

IDQP benefits:

- Safeguard health on board for passengers and crew by using the highest standards to ensure water quality.
- Avoiding multiple audits of the same provider at the same location.
- Substantial financial savings resulting from drastical reduction of airport inspection workloads and associated costs.

Why a pool for drinking-water quality?

To avoid illnesses, all water for drinking and other personal use made available to crew and passengers must be free from chemical substances and micro-organisms. The World Health Organization (WHO) and local authorities have therefore issued sanitary requirements for the chlorination and handling of potable water. These audits are often heavy, therefore expensive as well as redundant

4. IATA Fuel Quality Pool (IFQP)

The IATA Fuel Quality Pool (IFQP) is a group of airlines that actively share fuel inspection reports and workload at locations worldwide.

Benefits for airlines: In addition to the promotion of fuel quality results, the sharing of reports by the pool member airlines has demonstrated significant bottom line savings for the participants. All IFQP activities fully comply with regulatory requirements concerning airlines' provision of quality control and management oversight of airport fuelling services (EU-OPS 1, EASA AMC M.A.301 -1 and FAR 121.373).

In collaboration with IFQP, IATA supports the organization, training and accreditation of inspectors and the annual allocation of stations based on the airports served by airline IFQP members.

Benefits for fuel suppliers too: The IFQP program is highly regarded by the supplier community as it drastically reduces the repetitive inspections at many airports. It also improves overall quality as inspections are more effective due to the stringent evaluation criteria established.

5 . IATA Safety Audit for Ground Operations (ISAGO)

The implementation of the IATA Safety Audit for Ground Operations (ISAGO) aims to improve safety and cut airline costs by drastically reducing ground accidents and injuries.

ISAGO is modelled on the successful IATA Operational Safety Audit (IOSA) program. The ISAGO program is an audit system conducted in a standardized and consistent manner, using internationally recognized quality auditing principles.

An essential alternative to redundant audits

While airlines have similar operational practices appropriate to one common audit, things are more complex for ground handlers, covering a wide scope of activities as diverse as passenger and baggage handling, load control, cargo handling, etc.

To respond to the diversity of ground services, ISAGO has been built upon a 'backbone' of audit standards applicable to all ground handling companies worldwide, coupled with a uniform set of standards relevant for the specific activities of any ground handler. As a result, the ISAGO audit can be applied consistently to multinational ground handlers, as well as to smaller companies providing services at a single station.

ISAGO is an essential alternative to the redundant audits ground handlers are subject to today.

12.7 CHALLENGES AND STRATEGIES:

Industry can be termed as 'successful', but being 'successful' is very different from being 'competitive' and there are critical challenges which are negatively dictating and adversely affecting its competitiveness. These challenges can be classified into 3 broad categories:

12.7.1 Sector Specific Challenges

Being a part of the service sector, Tourism Industry faces the below mentioned challenges posed by the sector itself –

High Exit Barrier; Difficulty in trial – One characteristic of services is that it is hard to escape from the consequences of a poor choice (of service and service provider). Tourists know this and they also understand that once they are at a destination, a U-turn is not easy.

Hence, they are over cautious while deciding on the tourism services (choice of destination, transporter and hotels etc).

Another service characteristic that affects tourism industry is 'reduced trial ability'. Since the trial ability is also almost nil in (tourism) services, in case of tourism industry, it is a prerequisite to have a good 'product' and a sound reputation in place, only then sustainable sales can be expected.

Word-Of-Mouth (WOM) – WOM is crucial in selling of (tourism) services because usually the choice of destination is affected by WOM publicity. Here, it is important to realize that tourists tend to believe more on information from independent sources and less on promotions, thus, a destination may be 'pushed' through heavy promotion, but the length of its Product Life Cycle (PLC) is finally dictated by the WOM.

12.7.2 Industry Specific Challenges

Certain challenges are related to the very nature of this particular industry and exist along with the industry around the globe, like:

Highly infectious industry – Tourism Industry is very sensitive to environmental changes and it gets affected by them and reacts very fast to them, like - According to Star News (10 April 2007), a bollywood movie song resulted in increased tourist inflow to a destination (Khandala) and when India got out of the cricket world cup, many tourists cancelled their tours to West Indies resulting in loss of Rs 30 Crores to tourism industry.

High Social Cost – Tourism takes a toll on the resources (especially natural resources), and a large part of the revenues brought in by tourism is required for sustaining the resources, so the profitability of tourism industry is suspicious, especially in countries where proper 'sustainability' mechanisms are not in place.

Intermediary Conflicts - Components of the tourism industry have different commercial objectives, strategic interests and operational procedures. Channel partners protect and advance their own interests, often at the expense of their partner's gains; therefore, several intra-channel conflicts emerge inevitably. Major reasons behind such conflicts are -

- Price and Profit Margin Distribution
- Exceeding Vertical Integration generates Oligopolistic Behavior

Operational issues – Very often it happens that the public is promised a lot of services and facilities during their promotional campaigns but when the time comes for delivery the company fails to provide the services they promised.

12.7.3 India Specific Challenges

Some challenges facing Indian Tourism Industry are uniquely India specific, like

- Lack of proper infrastructure
- Human resources
- Service levels
- Lack of adequate marketing and promotion
- Taxation
- Security
- Regulatory issues

Lack of proper infrastructure: For any country tourism sector to flourish it is a must that the infrastructure should be good and should make the movement of tourists and tourist related activities easy and convenient. In the absence of a good infrastructure the tourists would be discouraged to move from one place to the other and eventually the graph of the tourism sector would not grow according to the expectations.

In the infrastructure transport (consisting of air, rail and road), lodging facilities, tourist guide centers, telecommunication are included. Therefore, it becomes essential that all the above stated factors should be taken care of in order to bring boom to the tourism sector.

Access and connectivity: Infrastructure facilities such as air, rail, road connectivity, and hospitality services at these destinations and the connecting cities are inadequate and inappropriate. All the three modes of transport should be designed and planned in such a manner that they should not compete with each other but complement each other. Since, 70% tourists in India travel by road therefor road transport should be given due importance especially where the rail transport is not at all possible like in the case of Nainital. Despite numerous efforts to improve road infrastructure, connectivity remains a major problem.

More plans like Golden Quadrilateral should be implemented so that the road transportation in India is of multinational standards and the tourist movement is easy and people are encouraged to travel more via road.

Aviation infrastructure is also critical since it is a major mode of entry for inbound tourism. However, in addition, airport facilities at important secondary cities and tourist destinations also need to be improved to be able to handle greater passenger traffic.

Amenities: Amenities available at various tourist locations and en route need to be improved. People specially those who travel with families need good facilities

on their way to a particular destination. Basic amenities include drinking water, well maintained and clean waiting rooms and toilets, first aid and wayside amenities such as lounge, cafeteria, and parking facilities, among others.

India lags behind in terms of providing basic and essential facilities to the tourists. Inadequate infrastructure facilities affect inbound tourism and also could lead to an increase in the outflow of domestic tourists from India to other competitive neighboring countries. Hence, for the industry to register healthy growth, issues concerning all the related sectors need to be addressed.

Human Resource: One of the major challenges facing the tourism industry in India is the availability of skilled manpower. To sustain growth in the travel and tourism industry, trained manpower/ workforce is required at every level — managerial, supervisory, skilled or semi-skilled. Various challenges faced at each level are different. There is talent crunch in middle and senior management. Because of boom in industries like banking, retail, airline and BPO majority of the people are attracted to these industries because of which there is a dearth of employees in tourism industry.

Thus, we have a demand-supply mismatch with respect to manpower in the travel & tourism and hospitality sector in India. A study conducted by Ministry of Tourism suggests that existing supply of human resources do not cater to even 40% of the demand. Because of the lack of people the tourism industry has no other choice but to employ the untrained resources and meet the demand. This high proportion of untrained manpower adversely affects the quality of services offered to the tourists.

Attrition, shortage of tourism training infrastructure, qualified trainers, and lack of proper strategies and policies for human resource development also affect the industry. The industry needs to address these problems at the earliest.

Service level: A tourist during his entire journey and stay comes across a lot of different people who ultimately leave an impact on the tourist. Such people include staff at bus/railway station, immigration staff at airports, taxi/coach operators, ticketing/ travel agencies, small hotels, dhabas/roadside eateries, staff at heritage sites, and tour guides, among others. The degree of service offered by these various stakeholders has a significant impact on determining the tourist's overall experience of India as a tourist destination. Realizing this government has taken initiatives to promote responsible tourism by sensitizing key personnel's of the tourism industry through training and orientation, to develop a sense of responsibility towards tourists and develop confidence in foreign tourists about India as a preferred destination. For instance an initiative started by the government was the "Atithi Devo Bhava" campaign. More such efforts are required to improve the degree of service across various operators.

Marketing and Promotion: Marketing and promotion of any product plays a vital role in making that product known among people. Marketing India as a major

tourist destination is critical for the industry to achieve its potential. However, there is not ample budgetary support from the government for promotion and marketing of tourist destinations which is a major reason for India lagging behind as a tourist destination. Indian tourism products are promoted primarily by the Ministry of Tourism with the involvement of state governments through the State Tourism Development Corporations. Marketing under the “Incredible India” campaign helped place India as a good tourist destination on the global tourism map. Another initiative recently started is that of Gujrat where Runn of Kutch in Gujrat is highlighted as “Kutch Nahi Dekha To Kuchh Nahi Dekha.”

To remain competitive in the fiercely competitive field, India needs to change its traditional marketing approach to a more competitive and modern approach. There is a need to develop a unique market position and the brand positioning statement should capture the essence of the country’s tourism products: i.e., they should be able to convey an image of the product to a potential customer.

Taxation: India is an expensive tourist destination because there are no doubts that travel and tourism in India is a high-taxed industry, which makes it difficult for the tourists to afford their journey. This in turn is affects the growth of the industry in India because of which India is losing out to other low-cost destinations. The most affected tourism is the inbound tourism where tourists come from other countries.

Tour operators, transporters, airline industries, hotels have to pay a huge amount of tax which includes service tax, luxury tax, tax on transportation, tax on aviation turbine fuel (airline industry), and various taxes on transportation. In addition, these tax rates tend to vary across different states in the country.

Security: Security has been a major problem as well for growth of tourism for a number of years. Terrorist attacks or political unrest in different parts of the country have adversely affected sentiments of foreign tourists. Terror attacks at Mumbai in November 2008 dealt a strong blow to tourism in the country. The terror attacks raised concerns of safety. In addition, insurgency in different parts of the country also mars India’s image as a safe destination. Following the terror attacks in Mumbai, security at tourist spots, airports and hotels has been beefed up to regain confidence of tourists. However, the government needs to take a proactive approach in addressing these issues and in averting the potential impact on the industry.

Cyber crime is another major challenge the travel industry faces. Use of Internet in the travel and tourism industry has increased rapidly in recent years and has emerged as one of major segments for online spends. However, some of the biggest frauds have been detected in this segment and the issue of online security has assumed significant importance. While the online travel industry has registered robust growth, major concerns relating to security of online

transactions persist. The industry needs to take measures to make the process of online bookings more secure and transparent and also needs to create awareness regarding this.

Regulatory issues: Visa procedures are a major hindrance for inbound international tourists. There are several countries like Thailand, Srilanka, Singapore, and Australia etc. Which provide visa on arrival in order to promote their tourism. Though India has started issuing visa on arrival since 2010 but till date there are only 10 countries to which it issues visa on arrival. Some of these countries are Singapore, Thailand etc. Therefore, in order to promote its tourism India should provide visa to several other countries as well.

Another issue which hits the tourism industry is that a number of projects in the tourism infrastructure segment and in the hotels industry are delayed due to non-attainment of licenses and approvals on time. Though the government recently cleared the long-standing proposal for single window clearance for hotel projects, to hasten the process of infrastructure development, still there is a greater need for speedier clearances and approvals for all projects related to the industry in order to make the access to this sector more easy and feasible.

12.8 STRATEGIES

Governments should:

- Show leadership by defining coherent and streamlined management structures that can efficiently drive new tourism.
- Elevate Travel and Tourism to strategic national level with senior level policy making.
- Factor Travel and Tourism into all policies and decision making, to promote growth that respects both business needs and the well being of citizens.

Industry should:

- Adopt strategic thinking so as to develop tourism with benefits for everyone.
- Extend and diversify product offerings to improve yields and social value.
- Spearhead innovative management and help spread best practice through corporate social responsibility.

All Stakeholders should:

- Cooperate in identifying opportunities for growth.
- Focus on building travel and tourism that opens up prospects for people - from employment to development.
- Work together to improve impediments to growth – from infrastructure shortcomings to pollution, and from outdated legislation to unmet security and health reasons.

The travel and Tourism sector declares its readiness to do its part. Now it wants an absolute commitment from its partners that they too understand what is at stake and are ready to join in building New Tourism to bring new benefits to the wider world.

12.9 SUMMARY

In this unit we have learnt about the various characteristics that are required to control any tourism organisation. 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. Tourism industry is prone to various challenges which have to be met strategically to overcome various problems that may arise due to these challenges. India as a tourism destination needs a lot of focus as it is challenged in terms of Human Resources, Lack of proper infrastructure, Service levels, Lack of adequate marketing and promotion, Taxation, Security and Regulatory issues.

12.10 GLOSSARY

- **Economically Realistic** - The cost of implementing a control system should be less than, or at most equal to the benefits derived from the control system.
- **High Exit Barrier** – One characteristic of services is that it is hard to escape from the consequences of a poor choice (of service and service provider).
- **Amenities** - These include basic amenities such as drinking water, well maintained and clean waiting rooms and toilets, first aid and wayside amenities such as lounge, cafeteria, and parking facilities.

12.11 ANSWER TO CHECK YOUR PROGRESS

India Specific Challenges are:

- Lack of proper infrastructure
- Human resources
- Service levels
- Lack of adequate marketing and promotion
- Taxation
- Security
- Regulatory issues

Characteristics of Effective Control are:

- Accurate
- Timely
- Objective and Comprehensible
- Focused on Strategic Control Points
- Economically Realistic
- Organizational Realistic
- Coordinated with the Organization's Work Flow
- Flexible
- Prescriptive and Operational
- Accepted by Organization Members

12.12 REFERENCES/BIBLIOGRAPHY

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- Bedian – AG – (1986), "Management", New York, Dryden Press, p.553.

12.13 TERMINAL AND MODEL QUESTIONS

- 1) What strategies should be adopted to have a controlled tourism organisation?
- 2) Why is lack of proper infrastructure a challenge for Indian tourism?
- 3) What are the characteristics of effective control?
- 4) What do you understand by the term "High Exit Barriers"?

UNIT 13: TOURISM & TRAVEL TRADE - CHARACTERISTICS AND UNIQUE FEATURES

STRUCTURE

- 13.1 Introduction
- 13.2 Objectives
- 13.3 Characteristics of Tourism Industry
 - 13.3.1 Inflexibility
 - 13.3.2 Inventory/Perishability
 - 13.3.3 Inconsistency
 - 13.3.4 Intangibility
- 13.4 Unique Features
 - 13.4.1 Seasonality
 - 13.4.2 High fixed costs of service operations
 - 13.4.3 Interdependence of tourism products
 - 13.4.5 Consumer comes to the product
- 13.5 Tourism industry versus manufacturing industry
 - 13.5.1 Goods
 - 13.5.2 Inventory
 - 13.5.3 Customers
 - 13.5.4 Labor
 - 13.5.5 Location
- 13.6 Summary
- 13.7 Glossary
- 13.8 Answers to check your progress
- 13.9 Suggested Readings
- 13.10 Terminal and Model Questions
- 13.11 References

13.1 INTRODUCTION

Tourism industry has created a place for itself in the economy of every country – small or big. The word tourism encompasses all activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes. These activities make demands for goods and services, and the establishments which provide such services are considered as part of the tourism industry. The tourism industry also includes establishments whose products are mainly sold to visitors, though they do not form a major share of tourist consumption.

13.2 OBJECTIVES

After completing this unit you will be able to understand:

- Tourism
- Its characteristics
- Its unique features
- Difference between tourism and manufacturing industry

13.3 CHARACTERISTICS OF TOURISM INDUSTRY

13.3.1 Inflexibility

The tourism industry is highly inflexible in terms of capacity. The number of beds in a hotel or seats on a flight is fixed so it is not possible to meet sudden upsurges in demand similarly restaurants tables, hotels beds and flights seats remain empty and unused in periods of low demand.

13.3.2 Inventory / Perishability

It is related to the fact that travel products are intended to be consumed as they are produced. For example, an airline has seats to sell on each flight; a hotel has rooms to sell for each night. If the airline is not able to sell all its seats on its flight, or a hotel is not able to sell its rooms for the night then the opportunity to sell the product is lost forever.

Service sector cannot keep inventory like products. To overcome this problem, the travel industry has come up with various marketing strategies. One is to overbook. An airline overbooks its seats to a certain extent in anticipation that even though certain customers do not turn up but the flight will be fully seated.

Another strategy is multiple distributions. For example a customer can buy an airline ticket from an airline, tour operator or from a travel agent. The chances of 261 Perishability are reduced. If the tourist cannot visit the place, the opportunity is lost. Hence, this becomes one of its important characteristics.

13.3.3 Inconsistency

A general norm is that in Travel and Tourism industry the product or the package of the tourism can be standardized i.e. for example 2 days 3 nights in any hotel, but the actual experience of consuming this package is highly inconsistent.

We hear a lot of travel stories which becomes a portrayal of a lot of bad experiences for example the tourist guide may not be good, the hotels lodging and boarding was bad etc. Therefore there is high level of inconsistency prevailing.

13.3.4 Intangibility

Travel products cannot be touched as they include flight experience on an airplane, cruise on an ocean liner, a night's rest in a hotel, view of the mountains, a visit to a museum, a good time in a night club and much more. These products are experiences. Once they have taken place they can only be recalled and relished.

13.4 UNIQUE FEATURES

Associated with the basic or generic characteristics common to all services, there are at least three unique features that are particularly relevant to travel and tourism industry. These are:

- Seasonality
- High fixed costs of operations, allied to fixed capacity at any point in time.
- The interdependence of tourism products.

13.4.1 Seasonality

According to this characteristic demand fluctuates greatly between seasons of the year. These demand variations are all the more acute because of the factor of perishability discussed previously and it is always a major prerequisite of marketing managers to generate as much demand as possible to fill the gaps as the market conditions may permit.

13.4.2 High fixed costs of service operations

It is a noted fact that in travel and tourism industry when the profit and loss accounts are analyzed the fixed costs are on a higher side than the variable costs. A fixed cost is one that has to be paid for in advance in order for a business to be open to receive customers; a variable cost is one that is incurred in relation to the number of customers received at any given time. What this means in practice may easily be understood in the case of a visitor attraction which must fund the following main costs in order to be open to receive visitors:

- Premises (capital costs and annual maintenance costs).
- Rents, leases and rates.
- Equipment (including repairs, renewals and servicing).
- Heating, lighting and other energy costs.
- Wages and salaries and social provision for full time employees.
- Management overheads and administrative costs.
- The bulk of marketing costs.

The point to note is that no matter how many the visitors but the fixed costs have to be finalized over a twelve-month period whereas the variable cost of admitting one additional visitor at the margin is almost nil. The same basic fact of operations is true for room sales in hotels, seats in transport operations and all forms of visitor entertainment.

13.4.3 Interdependence of tourism products

Majority of the tourist visitors combine several products in their travel purchases. A vacationer chooses attractions at a destination together with the products of accommodation, transport and other facilities such as recreational activity and catering. Therefore tourist accommodation suppliers at a destination are partly influenced by the marketing decisions of various tour operators and travel agents, attractions, transport interests and tourist boards, which together or separately promote the destination and its activities and facilities.

It can best be understood when a new resort, e.g. a ski resort, is being planned. The basic capacity for the resort is based on the estimated number of skiers per peak hour who can be accommodated comfortably on the slopes. With an estimate of skiers and non-skiers, and of day and staying visitors, it is possible to determine the optimum capacity of ski lifts, the number of beds needed, the required restaurant facilities, car parks, and so on. Each visitor facility in the resort is functionally related to other facilities and, even if they are separately owned, their fortunes are certainly linked.

13.4.5 Consumer comes to the product

In tourism the product is any particular tourist destination and the consumer is the tourist. The tourists would want to visit a particular tourist destination once he knows about the place as well as he is sure that he would get value for money. Since the product is the destination therefore it is the consumer who goes to the product rather than the product going to the consumer.

13.5 TOURISM INDUSTRY VERSUS MANUFACTURING INDUSTRY

Manufacturing Industries engaged in the production of goods (finished products) that have value in the marketplace. These industries are further classified into two as Process Industries (Flow production or continuous process production industries) and Discrete Manufacturing Industries.

Service industry like tourism industry does not produce goods, but provide certain services. The peculiarity of these industries is that often the consumption of the service takes place while it is in the generation. Typically, this sector also includes hospitality, advertising, banking, insurance, consultancy, logistics, etc. **There are five main differences between service and manufacturing organizations:**

13.5.1 Goods

The key difference between service firms and manufacturers is the tangibility of their output. The output of a service firm, such as consultancy,

training or maintenance, for example, is intangible. Manufacturers produce physical goods that customers can see and touch.

13.5.2 Inventory

Service firms, unlike manufacturers, do not hold inventory; they create a service when a client requires it. Manufacturers produce goods for stock, with inventory levels aligned to forecasts of market demand. Some manufacturers maintain minimum stock levels, relying on the accuracy of demand forecasts and their production capacity to meet demand on a just-in-time basis. Inventory also represents a cost for a manufacturing organization.

13.5.3 Customers

Service firms do not produce a service unless a customer requires it, although they design and develop the scope and content of services in advance of any orders. Service firms generally produce a service tailored to customers' needs, such as 12 hours of consultancy, plus 14 hours of design and 10 hours of installation. Manufacturers can produce goods without a customer order or forecast of customer demand. However, producing goods that do not meet market needs is a poor strategy.

13.5.4 Labor

A service firm recruits people with specific knowledge and skills in the service disciplines that it offers. Service delivery is labor intensive and cannot be easily automated, although knowledge management systems enable a degree of knowledge capture and sharing. Manufacturers can automate many of their production processes to reduce their labor requirements, although some manufacturing organizations are labor intensive, particularly in countries where labor costs are low.

13.5.5 Location

Service firms do not require a physical production site. The people creating and delivering the service can be located anywhere.

For example, global firms such as consultants Deloitte use communication networks to access the most appropriate service skills and knowledge from offices around the world. Manufacturers must have a physical location for their production and stock holding operations. Production does not necessarily take place on the manufacturer's own site; it can take place at any point in the supply chain

13.6 SUMMARY

In this chapter we have studied that tourism industry plays a vital role in boosting the economy of the country. It is an industry which provides both

products and services to its customers. We also learnt about various characteristics and unique features of tourism and travel trade. Services provided by this sector are very sensitive in the sense that if they are not sold on a particular day they tend to lose its monetary value.

13.7 Glossary

- **Inflexibility** - Incapable of being changed; unalterable. The tourism industry is highly inflexible in terms of capacity.
- **Intangibility** - Travel products cannot be touched as they include flight experience on an airplane, cruise on an ocean liner, a night's rest in a hotel, view of the mountains, a visit to a museum, a good time in a night club and much more.
- **Perishability** – If the airline is not able to sell all its seats on its flight, or a hotel is not able to sell its rooms for the night then the opportunity to sell the product is lost forever.
- **Inconsistency** – In Travel and Tourism industry the actual experience of consuming the package (example 2 nights and three days) is highly inconsistent.

13.8 ANSWER TO CHECK YOUR PROGRESS

Characteristics of Tourism are:

- Inflexibility
- Intangibility
- Perishability
- Inconsistency

Unique Features of Tourism are:

- Seasonality
- High fixed costs of service operations
- Interdependence of tourism products
- Consumer comes to the product

13.9 SUGGESTED READINGS

- Negi, Jagmohan. 2003. Travel Agency Operations: Concepts and Principles. New Delhi: Kanishka Publishers.

13.10 TERMINAL AND MODEL QUESTIONS

- 1) Give reasons why travel products are considered inconsistent. Support your answer with examples.
- 2) Justify why tourist accommodation suppliers at a destination are partly influenced by the marketing decisions of various tour operators and travel agents.

3) Give reasons why in tourism industry fixed costs are higher than variable costs.

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UNIT 14: THE ART OF MANAGING A TOURISM TRADE ORGANISATION

STRUCTURE

14.1 INTRODUCTION

14.2 OBJECTIVES

14.3 DESCRIBING THE BUSINESS

14.4 DESCRIPTION OF THE PRODUCTS AND SERVICES

14.5 KEY CUSTOMER OCCASIONS AND CRITICAL SUCCESS FACTORS

14.6 THE LOCAL ENVIRONMENT

14.7 COMPETITIVE BUSINESS STRATEGY

14.8 REFERENCES

14.1 INTRODUCTION

For managing any tourism trade organization its most important to prepare a business plan as per the need of the organization It is useful to prepare a business plan for your business. For independent business in freehold, tenanted, leased or franchised businesses, a business plan is essential. Even managed units in chain organizations can benefit from producing a business plan. Business plans assist managers to plan the direction of the business, compare performance with the plan, and take corrective action. & preparing a business plan allows you to think about the mission and key objectives of the business, and the actions needed to achieve the objectives.

14.2 OBJECTIVES

The main objectives of this unit are to:

- Identify the information needed to understand the customers and competition.
- Develop a competitive business strategy for the business.
- Plan all the activities needed to make the strategy work.
- Forecast the results of the plan to overcome difficulties.
- Keep track of the business and take corrective action where needed.

Preparing a business plan helps managers to understand the business and the planning process. It is this process that is important to the manger's role as a manager and owner, because the hospitality sector is fast moving and dynamic and a plan provides a sense of direction and purpose. It enables mangers to make changes and amendments as circumstances unfold. The business plan shows how the business will contribute to overall goals and objectives of the organization.

14.3 DESCRIBING THE BUSINESS

The business planning process starts with a clear description of the business, the management and team and core business activities

Mission statement, objectives and actions

The mission statement and objectives are important because they help to give everyone in the business focus and a sense of purpose. Also they help all to consider problems and difficulties to be overcome Mission statements.

In large organizations, these will be provided by the organization, managers need to understand the statement and encourage team members to understand their contribution to achieving the mission.

A good mission statement provides an organization with focus, and helps to concentrate managers and employees on the key activities, and to avoid trying to do too many things. In particular the mission statement should cover the following points:

- What business is this and what is its purpose?
- What needs to be achieved over the next 1–3 years?
- How will this be achieved – what are the core values and standards?

Mission statements should not be too bland, nor should it be so general that is difficult to know what business the organization is in.

Objectives

Objectives are the specific objectives to be achieved over the next 3 years. They have to be written in specific and measurable terms. For example,

1. Increase sales by 20 per cent over three years
2. Reduce employee turnover by 10 per cent each year
3. Increase customer satisfaction scores by 5 per cent within 1 year

By defining the key objectives the plan is providing a set of targets so that are more likely to achieve the overall purpose of the business. They provide a measurable set of pointers that guide actions over the forthcoming period.

Tasks

Tasks are the specific activities that you need to undertake to achieve the objectives set. They are the 'how' statements that will make the objectives happen. For example,

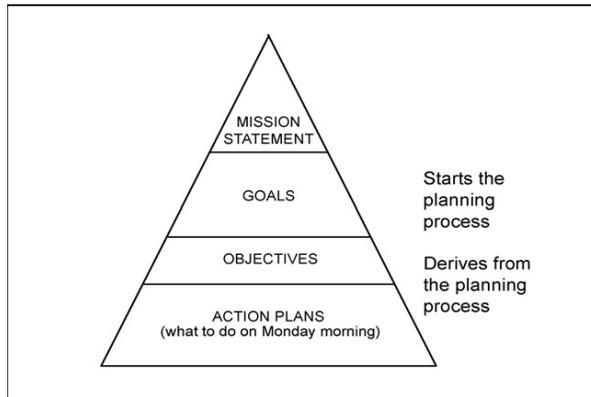
1. Identify complementary customer occasions, so as to attract new customers to the business.
2. Target businesses who might undertake joint products with my products and services.
3. Direct promotional material and special offers to customer who use the business in quiet periods.

Actions

In this case the plan is showing what needs to be done and when, what will happen on Monday morning, thinking ahead to the various actions needed and when. For example,

1. Survey existing customers and potential customers.
2. Visit all competitor units in the area.
3. In August start recruitment and training of staff needed for the Christmas season.

The identification of objectives, tasks and actions are the most important because they are useful in helping to achieve the overall mission as set by the organization.



Pyramid of goals

14.4 DESCRIPTION OF THE PRODUCTS AND SERVICES

Even in situations where a person is managing a hospitality organization it is worthwhile focusing on one of the key products and services that you are supplying to customers. Hospitality and tourism operations often involve the sale of a mixture of food and beverage items. These need to be analyzed: & by meal types – say between set meals and snacks, & between types of drinks – alcoholic and soft drinks, & through other income streams – say from machines or accommodation, and & where accommodation is also offered for sale, the analysis should also include room sales and types.

The Manager and Team

A careful consideration of the experience, training and development and skills available within both the management team and the employees is a valuable starting point to considering the skill needs of the unit. Clearly the plan can help you: & identify potential strengths in the team; & highlight key skills and experiences that can be used for projects and special initiatives; & focus on skill shortages and development needs for the future; & progression plan employees' and managers' career development. An organization chart showing both job roles

and named job holders clarifies the relationships and identifies potential career progression, and developmental needs. Increasingly, hospitality and tourism businesses are concerned with availability of key staff at all levels. Clearly, the right management team skills and experiences, capable of running and developing a multi-million pound business are vital.

In addition, the inability to attract, recruit, and train employees is further compounded in many organizations by high levels of staff turnover that often represents a key weakness and substantial additional cost to the business. A clear commitment to build a strong team and increasing staff retention needs to be a key part of the overall policies and objectives as well as the analysis of the team.

1. Explain the thinking behind the company's mission statement and show how the team will work to achieve the mission.
2. List the objectives for the business:
 - (a) long term,
 - b) short term
3. List the tasks and actions needed to take to achieve the objectives.
4. Describe products and service as if to a new employee.
5. How do these goods and services differ from competitors?
6. Are there possible complementary occasions through which it is possible to attract new customers?
7. What relevant skills and talents are available with the team?
8. What are the shortages of skills and talents? How will the team plan to fill the gaps?
9. What are current levels of staff retention and staff turnover?
10. What are the current levels of financial performance – cost levels, sales growth, profit levels, etc., and targets for the future?

Market Research

Many branded hospitality and tourism operators commission research on the brand, customers, competitors and markets on national and international levels. Entrepreneurs in large and small firms need to understand these issues as they relate to the particular business and community in which it is located. An important element of the manager's task, therefore, & should involve thinking about the core customer needs the business is servicing, & the types of customer who are attracted to the business, & the activities of competitors and, & the general conduct of the market in which the business operates. An ongoing analysis of these issues helps keep the plan in focus and to react to any changes that come up. Thus the unforeseen opening of a competitor unit or the closure of a major local employer may have adverse impacts to which the business needs to react.

Customers

The focus advanced in this text suggests that each business represents a series of tangible and intangible benefits in products and services to customers. These can be best understood through an analysis of the 'occasions' that customers visit the establishment. The key starting point of the plan is to consider the various customer needs which are being serviced through the business, and the factors that are critical for success. Furthermore this planning process needs to be further developed by an analysis of the customers themselves. These matters need careful consideration because over recent decades hospitality and tourism businesses have emerged round changes in the population and their spending power. Here are just a few examples.

- More women working and having careers interrupted by having children, not stopped by them
- More two income households
- More single households.
- More elderly people living longer and with higher incomes
- General increases in people eating out
- More people concerned about healthy eating

These changes have resulted in some additional opportunities, for example, retired customers can be attracted to use restaurants and bars during the late afternoon and early evening through price offers of special offers. More women with independent income mean that more women are looking to be able to eat and drink on their own, or with other women like themselves. More health consciousness and growth in vegetarianism mean that most menu offers have to include vegetarian and healthy eating options.

14.5 KEY CUSTOMER OCCASIONS AND CRITICAL SUCCESS FACTORS

The following text briefly outlines the key customer occasions appropriate to examples of hospitality and tourism operations in general. The list provided was not exhaustive and specific businesses may well be meeting other customer needs that result in them visiting the restaurant, bar or hotel that is not included here.

Employing the concept of customer occasions as a way of thinking about customers and their needs allows a focus which recognises that the same customer may use the same business for different reasons or occasions. Each occasion represents a specific use with different customer expectations of a successful service encounter. There are therefore, different critical success factors which service deliverers need to understand, and deliver, if the customer is to leave in a satisfied state of mind. The business plan needs to list the core customer occasions and the potential complementary occasions that might yield more customers.

- Refuel
- Can't be bothered to cook
- Family outing
- Special Meal Out
- Out on the Town
- Staying Away

In addition, your business plan needs to list the critical success factors that are at the heart of customer expectations of a successful visit to the business.

Competitors

Research on local competitors is an important source of information on which to plan the business activities. Many hospitality and tourism markets are dominated by 'me too brands and businesses'. That is, offers that are aiming at similar market segments and offering to satisfy similar customer needs on similar customer occasions. Business planners need to know their current strengths and weakness so that they can:

- learn from their strengths, and
- attack their weaknesses. Remember, there are both immediate and second order competitors for the customers' spend. Initially, it is important to concentrate on the immediate, first order competitors, but planners need also to think about the other competitors who are also meeting similar customer needs to the same customer base as the business is working with. The business may well have its own features in relation to customers that will add to following list of key concerns.

The important point is that the issue under investigation needs to be relevant to the business and the customer needs it is aiming to serve when drawing up the business plan planners need to have an honest accurate picture of the strengths and weaknesses of competitors and this should then inform development of the plan. Where is it possible to build genuine competitive advantage? What actions and targets are required to gain the competitive edge needed. Flowing from the initial research, there is a need to be constantly tracking competitors. Planners must explore issues beyond the immediate customers, goods and services offered. Usually businesses are competing in the same labour markets, and in the same local environment, so there may also be a need to explore wage rates and incomes, and their links with local employers, schools, local government, planning offices, etc.

14.6 THE LOCAL ENVIRONMENT

The business plan now must consider the local environment because these provide a context of opportunities and threats that will impact on the business. Contacts with relevant government authorities can help to identify some useful

data about the economic, political, social and legal environment. Again these items flow from a thorough marketing analysis, but here are some issues which might be considered:

- Local population demographic profile – trends and changes.
- General level of economic activity – employment – incomes – changes and future trends.
- Local offices or factories – major employers that may impact on the business – either closing or expanding.
- Any planned traffic changes or other planning decisions that might impact.
- The general approach of the planning authorities about this type of business.

The key is scanning the future for potential impacts on the business. Do they potentially generate more customers or fewer? As Wellington once said, 'The value of recognizance is knowing what is over the hill'. In fast moving hospitality and tourism businesses you have to be aware of changes before they occur. By this scanning planners will be in a better situation to benefit from increased customer, or best suited to deal with problems.

1. What is the geographical area from which customers are likely to be drawn? Consider numbers locations, housing stock, etc.
2. What are the customer needs expressed in customer occasions that will be the businesses core customers? Identify potential customer occasions.
3. Consider the critical success factors for each of these customer groups, and differences between groups.
4. Are the markets from which business aims to draw increasing, or declining?
5. Are there potential changes in customer tastes, or habits that might either increase or reduce sales?
6. List the competitors with whom the business will directly compete.
7. List competitor opportunities to satisfy the same customer needs.
8. Highlight the strengths and weaknesses of their approach to serve these customers.
9. Match these with the businesses strengths and weaknesses compare these with customers.
10. Describe the local economic and social context in which the business is located.
11. Identify local firms who might be used to form alliances with the business.
12. Identify the key threats and opportunities posed by the local environment.

14.7 COMPETITIVE BUSINESS STRATEGY

Planners are now in a position to formulate a competitive business strategy that will help plan tactics and actions over the short, medium and long term. Planners need to think about the short term as actions within the next year, medium term as over one but under two years and long term as three years plus.

In some contexts, the business strategy in terms of the overall direction of the business will be decided and shaped at senior levels. Broadly, there are three types of strategy that organizations follow, these are briefly described below. Overall cost leadership usually large firms who can take advantage of reduced costs through economies of scale. The size of the business allows the firm to work on reduced costs due to lower production and distribution costs, greater purchasing power with supplier, reduced advertising and selling costs. In addition to provide a Uniformity Dominant service, McDonald's Restaurants also follow a policy that has much in common with price leadership.

Differentiation, through quality, good design and image, that creates brand loyalty and a willingness to pay a price premium. In some cases, the 'label' is the key benefit to the customer. TGI Friday Restaurants are in part attempting to gain competitive advantage in this way. Focus, here a company focuses a particular market segment on a narrow market segment that is too specialized to attract competitors. By specializing in such a way, the firm makes the market its own. In some cases, being the only supplier of a particular service to a local market can have elements of this, though in many cases the entry barriers for hospitality and tourism firms are too low to make it a realistic national strategy. The overall business strategy brings together the various elements of the mission and objectives, market research, and marketing strategies, the market place, and the marketing mix leading to an overall plan shown. The service marketing mix needs to be stated in the business plan, and where the appropriate plan needs to give local flavour that will help interpret the action required.

Pricing

As shown earlier in the unit, pricing is one of the elements of the marketing mix. Here are a few key pointers to pricing.

- The selling price shapes customer perceptions – higher prices can communicate a perception of higher quality.
- Price is associated with concept of value, but customers use the perceptions of the benefits to assess with the price paid represents good value.
- Many competitive markets are price sensitive, and small changes in price can result in large changes in customer demand.
- It is possible to adopt approaches where prices are held constant but bonus offers and the promotional mix increase sales. The business plan needs a clear statement about the pricing strategy of the brand and how you will use this in local campaigns.

Advertising and promotion

Business planners need to communicate with local market, both customers and would-be customers. Advertising is paid for messages in the form

of say local press advertising, whilst promotions are those activities that will help generate sales. The marketing plan needs to consider how sales will be promoted through an array of different activities. Here are some examples that might be considered.

- Local newspapers and 'free sheets' are often effective that they reach target markets and are increasingly able to tailor their messages to specific localities. These are the most effective when tied to an 'editorial' piece say round a story about the business it is of local interest.
- Leaflets dropped through door ways or sent by post to target post code areas are also useful in that these can direct messages to the people most likely to use the establishment.
- Links with complementary firms – cinemas, theatres and other leisure venues can provide joint offers – say pre-theatre dinners, or price off vouchers to attract them to the business. The business plan needs to show how planners will promote the business over the period.
- What are the aims and objectives?
- How much is it worth?
- Which methods will be used?
- What benefits are expected?
- How will check the results?

Place

The business plan needs to consider the nature of the premises, these provide sources of tangible and intangible benefits to customers. Issues such as the approach and appearance externally, the signage from various approaches, the cleanliness, visibility to the inside, external d_eacor, the provision of smoking areas, car parking facilities may all be issues that are benefits or limitations. Internally, the overall atmosphere, cleanliness, decor, music, toilet provision, the availability of children's play areas etc., are also issues that need to be considered, because they may require capital expenditure to meet changed customer expectations.

Often it is said that location is the key to success in hospitality and tourism businesses, but difficulties can be overcome with the right attention to service, customer expectations and promotional activity. The business plan should include an analysis of the facilities so that these can be analyzed and actions taken relating to the strengths and weaknesses they pose for meeting and exceeding customer expectations.

1. What are the key cost elements that the business has to incur to make an operating profit?
2. What is the overall price strategy?
3. How do prices compare with competitors?

4. Are there differences amongst customers in their price sensitivity?
5. What are your key objectives for advertising and promotional activities?
6. What methods are being used to achieve the objectives and why?
7. How will the results be monitored and evaluated?
8. Are premises adequate for future needs?
9. What development work is needed and why?

Operations

Operations are the name given to the activities required to make the strategy happen. In hospitality and tourism operations, these activities cover the production and service of food and drink, and in some cases accommodation. The business plan needs to show in detail how products and service will be supplied to customers.

1. It is useful to start with an indication of what the business is selling in broad terms, though an appendix could include the full product range.
2. From this it is necessary to indicate the opening hours of the business and the sales mix at different times of day.
3. Provide an organizational plan that shows the organization of the business and indicates the key job roles required to produce the goods and services. This will indicate the management posts involved and broad statements of responsibilities.
4. Following from this the plan should indicate the business's approach to customer complaint handling and the responsibilities for dealing with customer satisfaction.
5. The business plan needs to consider the management of materials and cash involved in the operation.
6. In most hospitality and tourism operations there are strict legal responsibilities associated with food hygiene, health and safety, licensing, and other responsibilities to customers and staff. The plan should show how these matters are handled and managed. The operational plan lays down a blueprint of the key issues that are priorities for the delivery of a successful business which is likely to deliver satisfied customers and employees. (qualities) needed for each job title, where these are important for the plan.

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UNIT 15: MEGA EVENTS - PLANNING, MANAGING AND EFFECTIVE IMPLEMENTATION

STRUCTURE

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- 15.2 Objectives
- 15.3 Planning
 - 15.3.1 Venues
 - 15.3.2 Transport
 - 15.3.3 Accommodation
 - 15.3.4 Miscellaneous Service
 - 15.3.5 Guest Requirements
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15.1 INTRODUCTION

Tourism is one of the leading growth sectors in international services trade. While many factors influence tourism growth, one of the more perceptible contributions — at least, in the public eye — comes from global events, or mega-events.

Mega-events, according to Roche (2000), are 'large-scale cultural (including commercial and sporting) events, which have a dramatic character, mass popular appeal and international significance'. These events, such as the Olympic Games and FIFA World Cup, have not only attracted an increasingly global audience (Horne and Manzenreiter 2006), but also seem to have shaped world tourism patterns, highlighting new tourism destinations and creating 'lasting legacies' in the host cities or countries. Typically these are annual events attract various participants from around the world.

In this unit we are going to discuss MICE tourism and various stages that are associated with it like planning, managing and implementation. MICE is an English abbreviation of Meeting, Incentive, Convention and Exhibition. MICE segment of tourism caters to corporate programmes, tailor-made to suit the client's requirements in any part of the world. MICE is used to refer to a particular type of tourism in which large groups, usually planned well in advance, are brought together for some particular purpose.

15.2 OBJECTIVES

After this unit you will be able to:

- Understand MICE in tourism industry
- Planning process for MICE
- Managing MICE
- Successful implementation

15.3 PLANNING

Organizers of events need to be aware that a great deal of planning and organisation is required to run an event successfully, safely and in compliance with a wide range of legislation depending on the type of event and they must remember that, at all times, they are responsible for all aspects of an event.

Responsibility for the event can include seeking advice from a relevant authority or agency, risk assessment and the identification of those measures which will maintain the duty of care for both employers and attendees. On some occasions little or no emergency services or liaison will be required. For others, substantial resources may be necessary to fulfill traffic regulations, fire safety, medical cover and the maintenance of public order. Let us see the various areas that will require a special set of planning as far as MICE is concerned.

15.3.1 Venues

In MICE one of the most important aspects is the venues of the meetings, conventions and exhibitions. For organising an international level meeting and conference one has to seriously work upon the destination where such events will be organised. Following points need to be considered while planning MICE:

- Determine the number and capacity of existing venues for meetings, conferences and exhibitions.
- Determine the degree of use of these venues
- Establish future demand of these venues
- Determine the adequacy of existing venues to meet this expected demand
- Outline any serious design faults with existing venues.



For instance, if we were to take Mumbai as an upcoming destination for MICE then first we have to consider the various options in terms of venue that are available to us. Secondly, we have to find out the capacity of these venues and also work upon the expectations of the delegates. One must not forget the international standards while organising such events.

Care should also be taken if two conventions are running simultaneously in the same venue. Venue should be so designed that it does not cause any hindrance to the delegates of both the conventions.

15.3.2 Transport

There are basically two types of transports that are dealt with – air and road. Inconvenience is usually caused because of the flight schedules. Most of the international flights arrive either at midnight or later because of which the delegates face problems as they want to relax a little before the conference. To overcome this problem they prefer to come a day prior to the event. While planning for MICE one has to ensure that there are no errors or delays during their pickup from the airport. Since things need to be of international standards utmost care needs to be taken.

Another aspect that needs necessary attention is the selection of road transport and trained drivers. Though these services are contracted to the

tourism transporters it has to be made sure that the transporters know how to deal with the delegates with utmost hospitality.



15.3.3 Accommodation

MICE tourists generally prefer accommodation closer to the conference venue. It is essential to arrange such accommodation which are well equipped in terms of meeting the business requirements of the delegates. For instance, a delegate may require provisions like fax machine, laptop, internet connection etc. The staff should be well acquainted with the equipments to help the delegates in times of need. Any mega event requires years of planning and construction. For example, when the Commonwealth games were held in New Delhi, a lot of hotels were opened and flyovers were constructed to better accommodate the delegates.

15.3.4 Miscellaneous Services

Other support services include catering, parking, shopping, entertainment, sight seeing etc. These are some services which need to be given relevance and planned in such a way so as to give maximum benefit to the delegates. It adds to extra hospitality if we can give special service to the international delegates like a hand out containing information about the climate, dress code, tipping behavior, places of interest, fine dining restaurants etc.

15.3.5 Guest Requirements

To make the entire exercise of MICE tourism more sustainable it is important that the philosophy of sustainability permeate to the last levels of functioning. For example, the papers used, colors of the laundry, paper napkins should all be crafted in such a manner that they are either recyclable or biodegradable. This concept can work very well with MICE tourists because such people can be made aware about their responsibility towards the environment.

15.3.6 Residents versus Delegates

While planning for any mega event one has to keep in mind the effect it will have on the local residents. The carrying capacity of the destination, adequacy of the parking space and the security of the residents are crucial factors that need urgent attention. For instance the annual International trade fair

held at Pragati Maidan in Delhi calls for a lot of traffic snarls which causes a lot of inconvenience to the office goers and the residents. Therefore, the organisers of the event have to give careful attention to such details in order to avoid inconvenience.

15.4 MANAGING

It is an inescapable fact that all previous planning and efforts will go waste if it is not managed well as per the planning. It is imperative for the organiser to ensure that everything goes as per the schedule. Even the minutest detail has to be taken care of.

15.4.1 On-Site Management

Various aspects that need to be managed during the event are registration, tour desk, food and beverage functions and liaison with vendors and suppliers etc. International standards suggest that presence of at least one professional meeting planner on-site for 100 attendees in addition to the support staff providing services should be ensured for any convention.

It is important that the planner should arrive a few days before the event commences and meet the hotel staff, suppliers and various key individuals. It is imperative that he conducts meetings with various departments and gives them instructions pertaining to the event.

The planner should monitor on-site attendance and check how many delegates have registered and are yet to register. It also gives him a platform for next times convention. For example if the convention is scheduled in a hill station and most of the delegates like adventure sports then they might venture out to enjoy the sports and miss out on the sessions. Therefore keeping a tab of such attendees helps the planner to plan the event accordingly.

15.4.2 Administration

There should be a team created by the planner to administer the day to day tasks in the meeting venue. The team should update the planner regularly regarding the status of the event and to identify and discuss the new requests that may rise before or during the event. Special care should be taken in terms of power failure because this is a common problem which exists and hence proper back up is required for the same.

15.4.3 On-Site Registration

Such registrations are a common phenomenon as far as convention industry is concerned. It has multifarious advantages like: it keeps gatecrashers away, it keeps a record of attendees present as opposed to attendees intended, it also provides opportunity to those delegates who want to register but were unable to register before.

For this purpose a full fledged registration desk should be set up which should be manned till the event is on. Duties performed by this desk should be:

- Collect registration fee, convention fee dues
- Order and manage business office equipments
- Print name tags
- Distribute items of attendees (bags, books, agenda, stationary etc)

15.4.4 Providing services at meetings

Information about the services which will be available during the event should be mailed to all the delegates. Also, the attendees should be given the opportunity to make any special needs known to the meeting planner through the mails. Various services that can be provided are:

- Honouring Credit Cards
- Laundry Service
- Room Service
- Interpreters
- Child Care
- Medical Emergency Assistance
- Recreational Facilities
- Adequate Car Parking

15.4.5 Spot Management

It is managing all those aspects which may arise when the convention is going on. All conventions have majorly different requirements depending upon the type of convention. This requires tailor made arrangements and customisation to suit the needs of the customer. Various details which require consideration are:

- Planning the optimum layout for the meeting room
- Arranging for any required audio visual equipment
- Designing interesting and cost effective menus
- Food and Beverage management
- Local transportation
- Theme parties
- Activities
- VIP services
- Staging, sound and lighting

15.4.6 Miscellaneous Services

Once the above mentioned services have been finalised it is important to pay emphasis on those services which will be required at the time of the meeting. Minimum service requirement could include ice water for both the speaker and

the attendees. Standard says that for every ten people there should be one pitcher. Proper signages and directions should be placed everywhere to ensure convenience to the delegates. Cleanliness is another issue which requires considerate attention especially if the convention involves foreign delegates. Care needs to be taken to ensure that there are no bugs, mosquitoes, pests etc in the seminar hall.

15.5 IMPLEMENTATION

By implementation we mean all the strategies and plans which are formulated before any mega event commences. Various meetings of the officials who would be a part of the management are conducted to take into consideration every minute detail which would be necessary to be thought upon. By this we mean that a blueprint of all the activities has to be chalked out so that everything goes according to the plan as well as every individual concerned with the management of the event should have a clear cut idea as to what would be his/her role.

The project implementation process is complex, usually requiring simultaneous attention to a wide variety of human, budgetary, and technical variables. A project is generally considered to be successfully implemented if it:

- Comes in on-schedule (time criterion)
- Comes in on-budget (monetary criterion)
- Achieves basically all the goals originally set for it (effectiveness criterion)
- Is accepted and used by the clients for whom the project is intended (client satisfaction criterion).
- Is sensitive to the external environment.
- Good translation of strategic plans to operational outcomes.
- Has effective human resource management.
- Consistency and coherence of strategic planning.

When we talk of implementation we take the following factors into consideration:

15.5.1 Event Objective

Any event which is proposed to be conducted is done so with a particular objective or a set of objectives. The objective may be related to religious sentiments, social sentiments or any other personal motive. Once the objectives are clearly defined further proceedings can be looked upon. The defined objectives set a clear path or act as a guideline within which the planned activities would be applicable at ground zero.

The goals should be clearly understood by each individual and department as a whole since every team member plays a vital role in the implementation of the said objectives. It can be understood by the fact that each

person is a strong link in a chain without whom the tasks cannot be accomplished smoothly.

15.5.2 Top Management Support

The role of top management is like a central processing unit in a system. The management ponders over each activity of every individual and plans and coordinates these activities in such a manner that they are focused towards achieving the said goals.

If the management support is not very proactive then the system or the activities are very likely to be diverted from the main goal as there is no one to coordinate and guide the employees as it results in their ultimate success or failure.

In the absence of the management support the organizer is not sure about whether he/she is proceeding in the right direction and sooner or later that phase will come where the organisation will be like a headless chicken. Management's support of the project may involve aspects such as allocation of sufficient resources (financial, manpower, time, etc.) as well as the project manager's confidence in their support in the event of crises.

15.5.3 Project Schedule / Plan

Project schedule is nothing but the itinerary of the proposed activities so that there is a sequence in each activity and there is no confusion amongst the team members or the departments of an organisation. The project plan helps to determine well in advance as to what would be the course of action and each person or department knows what is expected of them at a particular given point of time. The schedule of the activities helps to determine as to what would be the time frame for the completion of every individual activity.

15.5.4 Client Consultation

The "client" is referred to here as anyone who will ultimately be making use of the result of the event, as either a participant outside the company or a department within the organization. It is imperative that the clients are involved to a great degree during the implementation phase to ensure success of the event. Also, the needs of the clients need to be met so that he is content and satisfied that he was able to justify his/her area of work.

15.5.5 Personnel (Recruitment, selection, and training)

An important aspect in the implementation phase is the nature of the personnel involved. Though this is an important factor but in most of the places it is overlooked. While recruiting personnel it is imperative that people's knowledge, skills, goals, and personalities should be considered in assessing the environment of the organization. One should not forget the goal of the event. If

the event requires world class services and facilities to the attendees then the employees should be hired accordingly and trained to suit the needs of the delegates.

15.5.6 Technical Tasks

By technical tasks we mean the availability of the required technology and expertise to accomplish the specific technical action steps. Apart from focusing only on the latest technologies we should also train the employees how to handle the equipments. Problems can occur if users are unfamiliar with the systems or technology, and if the cost is ineffective.

For any event to be successful it should have easy and latest technology and skilled manpower to be able to use that technology.

15.5.7 Client Acceptance

While considering all the above mentioned factors it is of prime importance to visualize if all the arrangements will be accepted by the clients or not. It is important to be able to "sell" the final project to its ultimate intended users. Very often event managers focus on the other factors of the implementation phase thinking that if those factors are handled well then client acceptance needs little attention. But one should not forget that if the end user will be not satisfied then all the efforts go in vein.

15.5.8 Monitoring and Feedback

Adequate monitoring and feedback mechanisms give the event manager the ability to anticipate problems, to oversee corrective measures, and to ensure that no deficiencies are overlooked. There are a lot of things that need monitoring, for instance, finance, workforce involved, flow of events etc. Constant feedback helps in knowing how the project is doing as compared to the initial projections.

15.5.9 Communication

Adequate communication channels are essential for successful implementation. Communication is not only important within a department but is also crucial between departments and with client as well. If things are not communicated well they might lead to situations where it becomes difficult to control. Any changes that are made regarding policies, procedures or anything regarding the clients then it must communicated effectively to the people concerned in order to avoid any last minute hassles.

15.5.10 Troubleshooting

No matter how well the event is planned but there are chances that problems may occur in certain areas at the last minute. Keeping this in mind it is

advisable that the event manager must keep “troubleshooting mechanism” handy so that if any problem arises then in that case it can be met skillfully. Such mechanisms make it easier not only to react to problems as they arise, but to foresee and possibly forestall potential trouble areas in the implementation process.

15.6 OBSTACLES TO EFFECTIVE STRATEGY IMPLEMENTATION

- An inability to manage change
- Poor or vague strategy
- Not having guidelines or a model to guide implementation efforts
- Poor or inadequate information sharing
- Unclear responsibility and accountability
- Working against the organizational power structure.

15.7 SUMMARY

MICE is the buzzword for the tourism industry today. It is something that every destination is trying to develop. It is not only important in terms of monetary but has a huge impact overall on the country as well as on the tourist destinations. Therefore, proper planning, managing and implementation is very vital for any mega event to be successful. There should be no negligence in providing the best of services and ensuring that all the operations run smoothly without any hassels. This requires a huge amount of training of the employees and their regular developments. Planning a conference is a very responsible job and has to be done with utmost alertness. Countries with required resources depend on such conventions as they are a great source of revenue generation.

15.8 GLOSSARY

- 1) Planning - Planning means looking ahead and chalking out future courses of action to be followed.
- 2) Managing – It refers to handling or directing with a degree of skill.
- 3) Implementation - Various strategies and plans which are formulated before any mega event commences.
- 4) Project Schedule - Project schedule is nothing but the itinerary of the proposed activities so that there is a sequence in each activity.
- 5) Technical Tasks – The availability of the required technology and expertise to accomplish the specific technical action steps.

15.9 ANSWER TO CHECK YOUR PROGRESS

- **On-Site Registration** - It keeps gatecrashers away, it keeps a record of attendees present as opposed to attendees intended, it also provides opportunity to those delegates who want to register but were unable to register before.

- **On-Site Management** – It includes registration, tour desk, food and beverage functions and liaison with vendors and suppliers etc.
- **Spot Management** - It is managing all those aspects which may arise when the convention is going on.

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15.11 TERMINAL AND MODEL QUESTIONS

- 1) Why is it important to plan venues and transport? Describe in detail.
- 2) What do you understand by MICE tourism?
- 3) Why is On – Site Registration important?
- 4) What do you understand by On – Site Management?
- 5) Why emphasis should be given to personnel while recruiting them for the event?
- 6) Why is Top management support essential to run any mega event?

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UNIT 16: CASE STUDY ON MANAGEMENT OF GMVN AND KMVN

STRUCTURE

- 16.0 Introduction
- 16.1 Objectives
- 16.2 Public Sector: Basic concept and Framework
- 16.3 Organization and Management of Public Enterprises
- 16.4 Role of Public Sector in Tourism
- 16.5 Government Undertakings in Uttarakhand Tourism
 - 16.5.1 Kumaon Mandal Vikas Nigam (KMVN)
 - 16.5.2 Garhwal Mandal Vikas Nigam (GMVN)
- 16.6 Summary
- 16.7 Answer to Check Your Progress Exercises
- 16.8 References/Bibliography
- 16.9 Review Questions

16.0 INTRODUCTION

Public sector, with a number of Government of India/State Government Undertakings today, occupies a key position in the economy of the country. The private entrepreneurs are always in search of profit and this motive urges them to move in fields where the returns are high and certain. In a developing country or in an under-developed country, this tendency has many drawbacks. Development in an under-developed and developing country is usually lopsided and only in certain directions. It is never equitably distributed over various regions of production. The public sector is playing a prominent role in a wide range of industries, including steel, power generation, aircraft, computer and machine tools, coal, petroleum, copper, aluminum, financial infra-structure consumer items and even films. Each year, the public sector consolidates its gain, spreads out to new fields. The public sector has been playing a vital role in the economic development of the country. Present unit addresses the basic concept and framework of public sector enterprises and present a detailed description of Garhwal Mandal Vikas Nigam (GMVN) and Kumaon Mandal Vikas Nigam (KMVN) in Uttarakhand State.

16.1 OBJECTIVES

After reading this unit, learners should be able to:

- Know the basic concept and framework of public sector enterprises;
- assimilate the relationship between public sector enterprises in tourism industry;
- Understand the importance of GMVN and KMVN in tourism industry;
- Learn about the different tourism activities performed by GMVN and KMVN in Uttarakhand and management of GMVN and KMVN .

16.2 PUBLIC SECTOR: BASIC CONCEPT AND FRAMEWORK

Since the advent of planned economic era, public sector enterprises have been considered suitable instruments for economic growth, prosperity and development. Public sector is considered a powerful engine of economic development and an important instrument of self-reliance. The main contributions of public enterprises to the country's economy may be described as follows:

- i. To promote rapid economic development through creation and expansion of infrastructure
- ii. To generate financial resources for development
- iii. To promote redistribution of income and wealth
- iv. To create employment opportunities
- v. To promote balanced regional growth
- vi. To encourage the development of small-scale and ancillary industries, and
- vii. To promote exports on the one side and import substitution, on the other.

MEANING OF PUBLIC ENTERPRISES

The business units owned, managed and controlled by the central, state or local government are termed as public sector enterprises or public enterprises. These are also known as public sector undertakings. A public sector enterprise may be defined as any commercial or industrial undertaking owned and managed by the government with a view to maximize social welfare and uphold the public interest. Public enterprises consist of nationalized private sector enterprises, such as, banks, Life Insurance Corporation of India and the new enterprises set up by the government. Basically, public enterprises is an institution, operating a service of an economic or social character, on behalf of the government but as an independent legal entity largely autonomous in its management, though responsible for the public, through government and parliament and subject to some direction by the government.

CHARACTERISTICS OF PUBLIC ENTERPRISES

(a) **Government Ownership and Management:** The public enterprises are owned and managed by the central or state government, or by the local

authority. The government may either wholly own the public enterprises or the ownership may partly be with the government and partly with the private industrialists and the public. In any case the control, management and ownership remain primarily with the government.

(b) **Financed from Government Funds:** The public enterprises get their capital from Government Funds and the government has to make provision for their capital in its budget.

(c) **Public Welfare:** Public enterprises are not guided by profit motive. Their major focus is on providing the service or commodity at reasonable prices.

(d) **Public Utility Services:** Public sector enterprises concentrate on providing public utility services like transport, electricity, telecommunication etc.

(e) **Public Accountability:** Public enterprises are governed by public policies formulated by the government and are accountable to the legislature.

(f) **Excessive Formalities:** The government rules and regulations force the public enterprises to observe excessive formalities in their operations. This makes the task of management very sensitive and cumbersome.

CHECK YOUR PROGRESS 1

Activity 1

1. Explain the basic concept and framework of public enterprises?

.....
.....
.....

2. The public enterprises are owned and managed by the central or state government, or by the local authority. How?

.....
.....
.....

16.3 ORGANIZATION AND MANAGEMENT OF PUBLIC ENTERPRISES

There are three different forms of organization used for the public sector enterprises in India. These are:

1. Departmental Undertaking;
2. Statutory (or Public) Corporation, and
3. Government Company.

Departmental Undertaking form of organization is primarily used for provision of essential services such as railways, postal services, broadcasting etc. Such organizations function under the overall control of a ministry of the Government and are financed and controlled in the same way as any other government department. This

form is considered suitable for activities where the government desires to have control over them in view of the public interest. **Statutory Corporation** (also known as public corporation) refers to a corporate body created by the Parliament or State Legislature by a special Act which defines its powers, functions and pattern of management. Its capital is wholly provided by the government. Examples of such organizations are Life Insurance Corporation of India, State Trading Corporation etc.

Government Company refers to the company in which 51 percent or more of the paid up capital is held by the government. It is registered under the Companies Act and is fully governed by the provisions of the Act. Most business units owned and managed by government fall in this category.

As per the provisions of the Indian Companies Act, a company in which 51% or more of its capital is held by central and/or state government is regarded as a Government Company. These companies are registered under Indian Companies Act, 1956 and follow all those rules and regulations as are applicable to any other registered company. The Government of India/state government has organized and registered a number of its undertakings as government companies for ensuring managerial autonomy, operational efficiency and provides competition to private sector.

ORGANISATION AND MANAGEMENT

The organisation and management of the public sector enterprises has been on 'trial and error' ever since independence in the country. The constitution of management boards is the major problem, which merits attention most. Here, the government burdens the governing board with the civil servants, undermining the principle of autonomy of the enterprises. The management board tilts the balance of decision making on policy matters greatly in government favour and thus reducing the enterprise to, more or less, a department.

1. Personnel Administration: The personnel management of the public sector is beset with a plethora of problems which are mostly responsible for its inefficient, uneconomic and below standards performance. The recruitment to public enterprises is done by individual enterprises or by a central personnel agency for a group of enterprises in a given sector following general guidelines of the government in matters of reservations, etc. The tendency to second the civil servants to top management is so rampant in the country that it negates the initiative of inbreeding and the insiders are disillusioned, not to talk of their disappointment and disinterestedness.

Remuneration or compensation to the employees is another area, which needs prompt attention. While compensation to top managers is usually high in most of the enterprises with innumerable perks and other amenities and benefits, it is progressively lower in the middle and lower level managements.

2. Financial Management: Financial management is not properly practised in the public enterprises in most cases. The prime requirement of majority of the

enterprises is the sound and scientific financial management as they lack financial discipline, consciousness and professionalism. A number of agencies are involved in the planning and control of financial management of public enterprises in the country, viz., Board of Management, Administrative Ministry etc.

3. Workers' Participation in Management : It is missing in public enterprises .The process of WPM involves four main steps, viz., information sharing, joint consultations, joint decision-making and self-management. With regard to workers' participating at various levels including board level, it is beset with a number of problems relating to selection of employees to be represented on the Board of Management.

4. Autonomy and Accountability: Autonomy' implies "freedom to act" and is related to "freedom in internal management". The Public Enterprises are accountable to Parliament through the concerned minister or state Government as the case may be and therefore cannot act freely. At the same time the public enterprises should be accorded sufficient autonomy to run their operations on business lines. It facilitates quick decision-making and encourages initiative.

Limitations

Despite their impressive role, Public enterprises in India suffer from several problems and shortcomings. Some of these are described below:

1. Poor Project Planning: Investment decisions in many public enterprises are not based upon proper evaluation of demand and supply, cost benefit analysis and technical feasibility. Many projects in the public sector have not been finished according to the time schedule.

2. Over-capitalization: Due to inefficient financial planning, lack of effective financial control and easy availability of money from the government, several public enterprises suffer from over-capitalization.

3. Overstaffing: Manpower planning is not effective due to which public enterprises have excess manpower.

4. Under-utilisation of Capacity: Productivity is low on account of poor materials management or ineffective inventory control.

5. Inefficient Management: Managerial efficiency and effectiveness have been low due to inept management, uninspiring leadership, too much centralisation, frequent transfers and lack of personal stake. Civil servants who are deputed to manage the enterprises often lack proper training and use bureaucratic practices. Political interference in day-to-day affairs, rigid bureaucratic control and ineffective delegation of authority hamper initiative, flexibility and quick decisions. Motivations and morale of both executives and workers are low due to the lack of appropriate incentives.

CHECK YOUR PROGRESS 2

Activity 1

Fill in the blanks

1. Departmental Undertaking form of organization is primarily used forof essential services.
2. Statutory Corporation, also known as
3. In Government Company capital is held by central and/or state government.
4. The prime requirement of majority of the enterprises is thefinancial management.
5. Manpower planning is not effective due toexcess manpower.

Activity 2

Answer the following questions briefly.

1. Explain the limitations of public enterprises in India?
.....

2. What are the various forms of public enterprises?
.....

16.4 ROLE OF PUBLIC SECTOR IN TOURISM

Whatever structures are in place, the role of the public sector in tourism remains basically the same. It works on researching, developing and marketing tourism in a destination, something the private sector, made up predominantly of a huge number of small and micro-businesses, is unable to do on its own. It also has a co-coordinating function: brokering agreement and joint working between what would otherwise remain essentially competing business interests. The public sector provides the following main services:

1. **Strategic Direction:** Strategic direction is provided through the development and production of tourism strategies that recognize important synergies, identify key initiatives and set out coherent plans for the multi-faceted sector that makes up a destination's tourism product.
2. **Destination Research:** The public sector is able to gather a range of information on:
 - The visitors to a destination
 - Their numbers and spending habits
 - Their perception of and satisfaction with a destination
 - Their collective effect on the local economy and individual businesses.

Destination Marketing

Visitors are attracted to places. Those places need to be marketed as destinations so that customers can be encouraged to visit. The public sector has

traditionally provided funding, staff resources and the organizational capacity to create and manage campaigns on behalf of the whole sector.

Visitor Information

Destination websites and publications on the range of activities and attractions available in an area have been predominantly the preserve of the public sector. The public sector has the resources and capacity to:

- Develop, operate and manage these services.
- Produce information on culture, architecture, literary figures, landscape, wildlife, and the other elements that make up a destination's character and distinctiveness.

Tourism Development

Individual businesses will undertake their own development programs to a greater or lesser degree, depending on the business. But destination-wide programs need public sector support to succeed, at least in the early stages, and often throughout the life of a development program. These programs include:

- Raising quality standards
- Training the workforce (in particular the micro-business sector)
- Delivering strategic objectives (eg sustainable business operation, greater uptake of local produce, improved access)
- Conservation and management of heritage and landscape of the area.

CHECK YOUR PROGRESS 3

Activity 1

1. Destination Research and Strategic Direction is important thrust area of public sector? Explain?
.....
.....
2. Explain Destination Marketing?
.....
.....

16.5 GOVERNMENT UNDERTAKINGS IN UTTARAKHAND TOURISM

In order to develop the mountain region, the Uttar-Pradesh Government on 30th march 1971 established the Uttar-Pradesh Mountain Development Nigam, a government undertaking with the sum of rupees two crore registered under the company's act 1956. However, in the year 1976 the Mountain Development Nigam was re-established in two parts:

1. Kumaon Mandal Vikas Nigam (KMVN)
2. Garhwal Mandal Vikas Nigam (GMVN)

16.5.1 KUMAON MANDAL VIKAS NIGAM (KMVN)

Kumaon Mandal Vikas Nigam Ltd. (KMVNL) is an enterprise of Government of Uttarakhand as Garhwal Mandal Vikas Nigam Ltd. (GMVNL). Uttarakhand the 27th state of India is divided into two regions Garhwal and Kumaon. KMVN is responsible to develop the tourism industry in Kumaon region, as this organization has tourist rest houses on every popular destination of Kumaon.

Kumaon Mandal Vikas Nigam offers a wide range of services and facilities for tourists who want to plan their tour to Kumaon in Uttarakhand. Tourists can book hotel's room or tour packages in advance by visiting the organization's official website www.kmvn.gov.in. The work area of KMVN, Nainital is limited to six districts which include Almora, Nainital, Udham Singh Nagar, Bageshwar, Pithoragarh and Champawat with its headquarter at Nainital. The objectives of KMVN had been described in detail in the memorandum of understanding. In brief the objectives of KMVN can be described as:

1. To work in the tourism sector and to encourage tourism through the establishment of hotel, restaurant, and transport sector.
2. To establish the old places, to develop them and to provide employment in those areas.
3. To provide help in the setup of governmental, semi-governmental and private business by providing funds, equipments and through various other medium.
4. To take up small River Valley Projects in the said area for checking Soil erosion, harnessing the available water resources, extension of irrigation facilities etc.
5. To own or run transport facilities in the said area, suitable for starting or expanding tourism, horticultural vegetable, forest and other allied and industrial trades.
6. To exploit mineral resources of the said area and to undertake mining operations.
7. To arrange for marketing facilities of all types of production within the said area and outside.
8. To acquire, purchase, give or sell agricultural implements, machines, equipment, appliances, tools etc., either on hire purchase system or on payment by installments as the Company may deem fit.
9. To distribute loans directly or through any agency/agencies to private and cooperative and corporate sectors for the establishment of various industries necessary to intensify agriculture, animal husbandry, transport, irrigation, forests, tourism etc., or for the processing of agriculture, animals husbandry and forest produce.

Board of Directors

Subject to the provisions of section 252 and until otherwise determined by the Company in a General meeting, the number of Directors shall not be less than three and not more than 15. Directors are not required to hold any Qualification shares. The Directors including Chairman/ Vice Chairman shall be appointed by the Governor and may be paid such remuneration as the Governor may, from time to time determine. The Powers of Board of Directors of KMVN had been described in detail in the memorandum of understanding. General Powers of the Company vested in Board. In brief the Powers can be described as:

1. To acquire property.
2. To pay for property in debentures etc.
3. To secure contracts by mortgages.
4. To execute mortgages by way of indemnity.
5. To make byelaws.
6. Delegation of powers to Committee.

SERVICES AND FACILITIES

For years Kumaon Mandal Vikas Nigam (KMVN) has been welcoming tourist in this land of immense invitations and endless charms. To ensure comfortable stay and conduct and promote various touristic activities, KMVN offers a wide range of services and facilities as given below:

Tourism Related Services

(1) Tourist Rest Houses / Accommodation Facilities

Development of accommodation facilities in key tourist destinations of Kumaon started in the year 1976. Pioneering role of Nigam in terms of taking initiatives for infrastructure development in key destinations, led to participation by private parties during subsequent years for setting hotels, amenities etc. Hence KMVN has played the role of catalyst.

Table 1: KMVN Tourist Rest Houses in Kumaon Region of Uttarakhand

Place	Name of Tourist Rest House	Place	Name of Tourist Rest House
Almora	KMVN Tourist Rest House, Almora	Lohaghat:	KMVN Tourist Rest House, Lohaghat
	Chiliyanaula KMVN Tourist Rest House, Almora	Mukteshwar	KMVN Tourist Rest House, Mukteshwar
	Monal KMVN Tourist Rest House, Almora	Munsiyari	KMVN Tourist Rest House, Munsiyari

	Danya KMVN Tourist Rest House, Almora	Nainital	KMVN Tallital
	Deenapani KMVN Tourist Rest House, Almora		KMVN Sukhatal
			Snow-View KMVN Tourist Rest House, Nainital
			KMVN Tourist Rest House Kaladhungi, Khairna
Bageshwar	KMVN Tourist Rest House, Bageshwar	Naukuchiatal:	KMVN Tourist Rest House, Naukuchiatal
			Parichay KMVN Tourist Rest House, Naukuchiatal
	Bajjnath KMVN Tourist Rest House, Bageshwar	Ramnagar	KMVN Tourist Rest House, Ramnagar
Bhimtal	Pandava KMVN Tourist Rest House, Bhimtal	Ranikhet	KMVN Tourist Rest House, Ranikhet
Bhowali	KMVN Tourist Rest House, Bhowali	Patal Bhubaneswar	KMVN Tourist Rest House, Patal Bhuvaneshwar
Binsar	KMVN Tourist Rest House, Binsar	Ramgarh:	KMVN Tourist Rest House, Ramgarh
Champawat	KMVN Tourist Rest House, Champawat	Tanakpur	KMVN Tourist Rest House, Tanakpur
	Syamlatal KMVN Tourist Rest House, Champawat	Sattal	KMVN Tourist Rest House, Sattal
Chaukori	KMVN Tourist Rest House, Chaukori	Nanakmatta	KMVN Tourist Rest House, Nanakmatta
Dharchula	KMVN Tourist Rest House, Dharchula	Ranikhet:	Sitlakheta KMVN Tourist Rest House, Ranikhet
Didihat	Didihat KMVN Tourist Rest House, Didihat	Kathgodam	KMVN Tourist Rest House, Kathgodam
Jageshwar	Jageshwar KMVN Tourist Rest House, Jageshwar	Kausani	KMVN Tourist Rest House, Kausani
Kashipur	KMVN Tourist Rest House, Kashipur	Pithoragarh	KMVN Tourist Rest House, Pithoragarh

(2) Package tours/ Trekking Tours / Yatra /Adventure Tourism

Tourism trade promotion through utilization of resources and expertise was done by Nigam since 1985. Conduct of Kailash Mansarover and other Yatras by Nigam has added to 'brand image' of KMVN.

Packages offered by KMVN:

- 7 Nights Sunderdunga Glacier Trekking Package from KMVN;
- 9 Nights Trekking Package to Sunderdunga Glacier from KMVN: Sunderdhunga means the valley of beautiful stones. The valley is situated to the west of Pindari valley and has two glaciers i.e., Maktoli and Sukhram;
- 7 Nights Milam Glacier Trekking Package by KMVN :The base camp for Milam Glacier is Munsiyari (2290mts.) in Pithoragarh district;
- 8 Days Trekking Package to Kafani Glacier from KMVN : The Kafni glacier lies towards the left of Pindari valley below Nandakot;
- 7 Days Panchachuli Trekking Deluxe Package from KMVN;
- 2 Nights Camp Dhikuli Corbett Package by KMVN;
- 2 Nights Camp Sigri Nainital Package by KMVN;
- 6 Nights Kumoan – Corbett Tour Package with KMVN;
- 5 Nights Pindari Glacier Trekking Package by KMVN;
- 7 Nights Trekking Package to Pindari Glacier with KMVN;
- 20 Days Trekking Package to Adi Kailash by KMVN: Popularly known as Chotta Kailash it is the replica of the famous Mt. Kailash in Tibet. Located in Indian Territory close to the Indo- Tibetan border, it is an area of great natural beauty, peace and serenity.
- **Kailash Mansarovar Yatra Package by KMVN:** Kailash Mansarovar yatra, which is the famous holy pilgrimage of Hindus, is conducted by KMVN on every year with the association of Ministry of External Affairs, Government of India. The Kailash Mansarovar Yatra is generally organized in the months of May and June every year and tour is divided by several batches and leaving for Mount Kailas one by one. KMVN makes all the arrangement for pilgrims.

Rafting Packages by KMVN in Kali Ganga

Rafting can also be undertaken through Kumaon Mandal Vikas Nigam in Mahakali River.

- I. Rush Trip on Saryu: 2 Nights 3 Days
- II. Rush Trip on Kali: 2 Nights 3 Days
- III. Saryu- Kali Combination: 5 Days
- IV. Mega River Run Kali Expedition: 5 Days
- V. Rafting Cum Fishing Holiday in Kali/ Saryu

(3) Holiday Camps

It is undertaken for local tourism trade promotion and to support to local economy. Presently scale of this activity is limited and in future more thrust in this area will be given.

(4) Amusement/ Recreation Projects (Ropeway, Eco-garden)

For utilization of available resources and diversification of tourism activities in Kumaon, KMVN with participation of private players is developing various recreation projects.

MARKETING:

1) Distribution of Cooking Gas: To make better energy resources available to people of Kumaon since 1976 KMVN is involved in distribution of cooking gas which leads to preservation of forest and woods.

2) Marketing of Fruits & Herbs: To make avenues available to local producers for getting better returns on their produce in less developed regions of Kumaon, KMVN is involved in marketing of fruits & herbs since 1981.

3) Operating Petrol Pump and Service Station: To make facilities available for tourists visiting Kumaon KMVN is involved in operating petrol pump and service station since 1980.

(4) Mining Building material (Boulder-Bajri): To monitor exploitation of mineral resources as per plans & to monitor payment to labours as per norms set by Government KMVN is involved in this operation since 1976.

INDUSTRIES:

(1) Financial Support in form of Assisted, Joint and Subsidiary Industrial Projects: It assists in promotion of industries e.g. Plants Agro and IMPCL by providing financial support involving local entrepreneurs. But this is not area of long term competency for KMVN. Such activity is perhaps more appropriate for being undertaken by specialized financial industry promotion agency.

(2) Direct Management of Industrial Units

CONSTRUCTION: Construction of tourist bungalows, government buildings and other departmental works and maintenance works.

16.5.2 GARHWAL MANDAL VIKAS NIGAM (GMVN)

Garhwal Mandal Vikas Nigam Ltd. was established on **31st March 1976** as Public Limited Company registered under companies act. GMVN is an enterprise of the Government of Uttarakhand. GMVN has a very successful chain of 89 guest houses and tourist bungalows spread all over Garhwal with superior tour packages with an approved capital Rs. 40 crores and a committed workforce

of 2149 out of which 752 are regular employees, 731 employees are non regular employees and 666 are seasonal employees.

Area: The work area of GMVN is limited to 7 districts of Garhwal such as Chamoli, Pauri, Uttarkashi, Dehradun, Rudraprayag, Haridwar, and Tehri Garhwal. It has its headquarter at Dehradun and twelve Public Relation offices in almost every metro of the country.

Objectives:

1. To set up industrial unit and their development.
2. To give financial, technical and other type of aids to set up Government/semi Government and private industrial unit.
3. To work for tourism industry and set up Hotels, Restaurant and transport etc. for betterment of tourism industry.
4. To work for mining in the related region, plantation, Dairy, Bee farming and to establish new orchards.
5. To set up new cold stores and to develop new storage facility.
6. To work for the development of Orchards.
7. To set up units for electric supply, Industrial goods, Raw Material, water for drinking and irrigation, seeds, fertilizers and insecticides etc.
8. To make arrangement for the distribution of the necessities in the related area.

Board of Directors and its Appointment

Like KMVN the number of Directors shall not be less than three and not more than 15. The chairman, vice-chairman and members of Board of Directors are nominated by State Government. Managing Director is the Chief Executive Officer (CEO) and is from Indian Administrative Service (IAS) cadre.

The Directors including Chairman/ Vice Chairman shall be appointed by the Governor and may be paid such remuneration as the Governor may, from time to time determine.

Powers of Board of Directors:

The Powers of Board of Directors of GMVN had been described in detail in the memorandum of understanding. In brief the Powers of GMVN can be described as:

1. To secure contracts by mortgages.
2. To appoint trustees.
3. To bring and defend action etc.
4. To authorize acceptance etc.
5. To invest moneys.
6. To establish Local Board.
7. Acquire property.

ACTIVITIES:**1. Tourism Section****Services Offered**

- Accommodation in Tourist Rest Houses and Hotels(89 in numbers)
 - Transport Bookings (on hire).It has its own transport fleet of **34** (*Including tourist coaches/buses, tempo traveler, Taxi/cabs, Qualis, Innova etc.*)
 - Package Tour (Pilgrimage–Char Dham Yatra, Adventure, Wildlife, Yoga etc.)
 - Customized Tours (Pilgrimage, Adventure, Wildlife, Yoga etc)
 - Adventure sports such as Trekking & Mountaineering, Skiing, White Water Rafting, Still Water Sports etc.
 - Adventure sports courses
 - Water Skiing (5 days certificate course)
 - White Water Rafting (3 days non-certificate & 5days certificate course at Kaudiyala near Rishikesh)
 - Snow Skiing (7 days non-certificate & 14 days certificate course at Auli)
2. Marketing (LPG & Petroleum products);
 3. Industries;
 4. Ropeway Project;
 5. Civil Construction/Engineering;
 6. Mining

Table 2: GMVN Tourist Rest Houses in Garhwal Region of Uttarakhand

Place	Name of Tourist Rest House	Place	Name of Tourist Rest House
Adi Badri	GMVN Adi Badri - Tourist Rest House, Adi Badri	Auli	GMVN Auli Tourist Bungalow, Auli
Badrinath	GMVN Badrinath Tourist Bungalow Devlok, Badrinath	Barkot	GMVN Barkot Yatri Niwas, Barkot
	GMVN Badrinath Govt TRH, Badrinath		GMVN Barkot Old TRH, Barkot
	GMVN Badrinath Yatri Niwas, Badrinath		GMVN Barkot Annexe - Tourist Rest House, Barkot
Chakrata	GMVN Hanol - Tourist Bungalow, Chakrata	Chamba	GMVN Arakot - TRH, Chamba
Devprayag	GMVN Devprayag TRH, Devprayag		GMVN Chamba - Tourist Bungalow, Chamba
Dehradun	GMVN Dehradun - Drona Hotel TRH, Dehradun	Dhanaulti	GMVN Dhanaulti Tourist Bungalow, Dhanaulti
	GMVN Asan - Tourist Rest House, Dehradun	Gairsain	GMVN Gairsain - Tourist Rest House, Gairsain
	GMVN Sahastradhara -	Gangotri	GMVN Bhaironghati -

	Tourist Rest House, Dehradun		Tourist Rest House, Gangotri
	GMVN Dakpathar - Tourist Rest House, Dehradun		GMVN Gangotri - Tourist Rest House, Gangotri
Gauchar	GMVN Gauchar - Tourist Rest House, Gauchar		GMVN Lanka - Tourist Rest House, Gangotri
Gaurikund	GMVN Gaurikund - Tourist Rest House, Gaurikund		GMVN Bhojwasa - Tourist Rest House, Gangotri
Ghangharia	GMVN Ghangharia - Tourist Bungalow, Ghangharia	Ghuttu	GMVN Ghuttu - Tourist Rest House, Ghuttu
Gopeshwar	GMVN Gopeshwar - Tourist Bungalow, Gopeshwar		GMVN Reeh - Tourist Rest House, Ghuttu
	GMVN Birahi - TRH, Gopeshwar		GMVN Gangi - Tourist Rest House, Ghuttu
Guptkashi	GMVN Guptkashi - Tourist Rest House, Guptkashi	Gwaldam	GMVN Gwaldam - Tourist Rest House, Gwaldam
Har Ki Doon	Tourist Rest House, Har Ki Doon		GMVN Dewal - Tourist Rest House, Gwaldam
	GMVN - Tourist Rest House, Osla		GMVN Mandoli - Tourist Rest House, Gwaldam
	GMVN - Tourist Rest House, Taluka		GMVN Wan - Tourist Rest House, Gwaldam
		Harsil	GMVN Harsil Tourist Bungalow, Harsil
Haridwar	GMVN Haridwar Rahi Motel, Haridwar	Joshimath	GMVN Joshimath Expedition Hostel, Joshimath
	GMVN Chilla - Tourist Rest House, Haridwar		GMVN Joshimath - New TRH, Joshimath
Kedarnath	GMVN Kedarnath - Tourist Rest House, Kedarnath		GMVN Joshimath - Main Bazar TRH, Joshimath
	GMVN Rambara - Tourist Rest House, Kedarnath	Karnaprayag	GMVN Karnaprayag - Tourist Bungalow, Karnaprayag
Khirsu	GMVN Khirsu - Tourist Bungalow, Khirsu		GMVN Nauti Village - Tourist Rest House, Karnaprayag
Kotdwar	GMVN Kotdwara - Tourist Rest House, Kotdwar	Lansdowne	GMVN Lansdowne - Tourist Bungalow,

			Lansdowne
	GMVN Kanwashram - Tourist Rest House, Kotdwar		GMVN Lansdowne - Tip N Top Huts, Lansdowne
Mussoorie	GMVN Mussoorie - Garhwal Terrace TRH, Mussoorie	Nandprayag	GMVN Nandprayag - Tourist Rest House, Nandprayag
Pauri Garhwal	GMVN Pauri Garhwal - Tourist Bungalow, Pauri Garhwal	Rishikesh	GMVN Rishikesh - Bharat Bhoomi TRH, Rishikesh
Pipalkoti	GMVN Pipalkoti - Tourist Bungalow, Pipalkoti		GMVN Rishikesh Rishilok Travel Guest House, Rishikesh
Purola	GMVN Purola - Tourist Rest House, Purola		GMVN Rishikesh - Ganga Resort TRH, Rishikesh
Roorkee	GMVN Piral Kaliyar - Tourist Rest House, Roorkee		GMVN Kaudiyala - Tourist Rest House, Rishikesh
Rudraprayag	Tourist Bungalow, Rudraprayag	Srinagar	Tourist Rest House, Srinagar
	Tourist Rest House, Jakholi		Tourist Rest House, Srikot
	Tourist Rest House, Syalsaur	New Tehri	Tourist Rest House, New Tehri
	Tourist Rest House, Chandrapuri	Ukhimath	Tourist Rest House, Ukhimath
	Tourist Rest House, Hariyali Devi	Uttarkashi	Tourist Rest House, Uttarkashi
	Tourist Rest House, Tilwara		TRH, Barsu Village
Yamunotri	Tourist Rest House, Janki Chatti Annexe		Tourist Bungalow, Chinyalisaur
	Tourist Rest House, Phoolchatti		Tourist Rest House, Raithal
	Tourist Rest House, Yamunotri		Tourist Rest House, Bhatwari
	Tourist Rest House, Janki Chatti		
	Tourist Rest House, Hanuman Chatti		
	Tourist Rest House, Syanachatti		

Trekking:

The Mountaineering and Trekking department of GMVN has well maintained stock of equipments', Alpine Tents, Hollow filled sleeping bags, Hollow field jackets, Wind proof trousers, Rucksacks and many more others. Following Trekking tours are offered by GMVN.

Table 3: Trek routes identified by GMVN

S.No.	Name Of The Trek Route	S.No.	Name Of The Trek Route
1.	Kedarnath Vasukital Trek	2.	Gangotri Nandavan Tapovan Trek
3.	Panch Kedar Trek	4.	Dodital Yamunotri Trek
5.	Kalindikhal Trek	6.	Valley Of Flowers Trek
7.	Khatling Sahasratal Trek	8.	Har-Ki-Doon Trek
9.	Kalsi Lakhamandal Trek	10.	Roopkund Trek
11.	Lata Panwali Kedarnath Trek	12.	Kuari Pass Trek
13.	Devi-darshan Trek	14.	Binsar Trek
15.	Chandrashila Winter Summit	16.	. Nagtibba Trek
17.	Bhadraj Jwala Devi Trek	18.	Auli Kuari Pass Tapovan Trek
19.	Chinab Trek		

New Trekking Routes

Badrinath – Alkapuri- Satopanth Trek (May to Oct.)
Badrinath- Alkapuri Glacier Trek (May to Oct.)
Badrinath – Arwanala Trek (May to Oct.)
Marwari (Vishnuprayag) – Chinab Valley Trek (May to Oct.)
Harsil – Lamkhaga Pass- Chitkil Trek (May to Oct.)
Phoolchatti – Machkantha Pass - Osla - Harkidoon Trek (May to Oct.)
Uttarkashi – Barsu - Dayara- Dodital Trek (May to Oct.)

Package Tour of GMVN

- Rishikesh-Kedarnath-Badrinath-Rishikesh, Duration: 6 days 5 nights.
- Delhi-Kedarnath-Badrinath-Delhi, Duration: 8 Days 7 Nights.
- Delhi-Yamunotri-Gangotri-Kedarnath-Badrinath-Delhi, Duration: 12D/11Nig
- Rishikesh-Yamunotri-Gangotri-Gaumukh-Kedarnath-Badrinath-Rishikesh Duration: 11 Days 11 Nights.
- Rishikesh - Badrinath - Rishikesh Duration : 4 Days 4 Nights

- Delhi - Kedarnath - Badrinath - Delhi Duration: 7 Days 6 Nights.
- Rishikesh - Yamunotri - Gangotri - Gaumukh - Rishikesh Duration: 6 Days 6 Nights.
- Rishikesh-Yamunotri-Gangotri-Kedarnath-Badrinath-Rishikesh Duration: 10 Days 10 Nights.
- Rishikesh-Valley of Flowers-Hemkund-Badrinath-Rishikesh Duration : 7 Days 7 Nights
- Delhi-Yamunotri-Gangotri-Kedarnath-Badrinath-Delhi Duration: 11 Days 10 Nights.

Month Wise Fixed Departure of Treks / Tours and Packages:

- Rishikesh-Ukhimath-Deoriatal-Kalimath-Tungnath-Gopeshwar-Kartikey-Rudraprayag Rishikesh Duration : 7 days, April
- Uttarkashi-Malla-Budhakedar-Ghuttu-Panwali-Triyuginarayan-Gaurikund-Kedarnath-Gaurikund Duration : 9 days, May
- Gangotri-Bhojwasa-Tapovan-Nandanvan-Vasukital-Gangotri, Duration: 7 days, June
- Gangotri-Badrinath-via Kalindikhal High Altitude Pass Duration : 12 days, July
- Nandprayag-Ghat-Ramni-Gorson-Auli (Lord Curzon Trail)Duration : 7 days, August
- Ghuttu-Reeh-Gangi-Bhelbhagi-Chauki-Masartal-Mayalipass-Vasukital-Kedarnath-Gaurikund
Duration : 10 days, September
- Uttarkashi-Bewara-Dodital-Darwatop (Seema)-Yamunotri-Hanuman Chatti, Duration, October

Yoga Courses:

GMVN conducted three types of courses for basic learners, as well as enthusiasts. The courses are 7 days, 15 days and 30 days duration. The courses are conducted by certified and trained instructors of GMVN.

Observations about the GMVN and KMVN:

KMVN should evaluate it's aim and objectives time and again and foresee to execute operations for integrated development of Uttarakhand to uplift social, cultural and economic values. More and more employment prospects should be created for the local youths so as to check heavy out-migration. In case of tourism in Garhwal, aspects of marketing and it's varied instruments have not yet received the thrust. Strategy to cater all segments and strata of population, a facility embracing varied products of tourism should be made available at the earliest. With the application of appropriate marketing strategies, the rapid pace of region is very possible. Few of the observations about GMVN and KMVN are listed below.

- **Lack in professional attitude:** The professional attitude is lacking in all cadre of staff in almost all units.
- **Poor management information System:** The management information system is poor in all hotels. This leads to delay in decision or no certain management issues.
- **Poor supervision:** There is poor or no supervision in different units in the operations of different department.
- **Under utilization of Space:** The space provided in most of the hotels is underutilized and therefore leads to loss of the revenue.
- **Poor Infrastructure in the kitchen and Dining Hall:** In all the units of GMVN and KMVN the infrastructure provided in the kitchen and dining hall is poor and it needs standard set of equipments.
- **Poor Hygiene:** The possible causes of poor hygiene are inadequate infrastructure, awareness, un-professional attitude and complete lack of Supervision.
- **Poor Maintenance:** The maintenance in most of the areas of the hotels is not up to the mark and this issue requires immediate attention.

CHECK YOUR PROGRESS 4

Activity 1

1. GMVN and KMVN offer a wide range of services. Explain in brief?
.....
2. Which package tours are offered by KMVN?
.....
3. Explain the following:
 - a. Marketing of services
 - b. Organization structure of GMVN
 - c. Trek routes in Garhwal region

16.6 SUMMARY

In this unit we have learnt that Public sector, with a number of Government of India/State Government Undertakings today, occupy a key position in the economy of the country and is a subject of great significance for the students of tourism. Public sector is considered a powerful engine of economic development and an important instrument of self-reliance. Learners also learnt about different forms of organizations used for the public sector enterprises in India and about role of public sector in tourism. Various govt. undertaking in Uttarakhand tourism are playing a vital role in tourism development. GMVN and KMVN offer a wide range of services and facilities for tourists in Garhwal and Kumaon region. They have similar objectives and cater the needs of largest segment of tourist. It is of utmost importance to study the essence of

tourism in Uttarakhand so as to have adequate knowledge by the learners to acquaint him/her.

16.7 ANSWER TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress - 1

Activity 1

For answer refer section 1.1 and 1.2

Check Your Progress - 2

Activity 1

For answer refer to section 1.3. Read carefully the paragraph to solve fill-in the blanks.

Activity 2

Read about Departmental Undertaking, Statutory (or Public) Corporation, and Government Company. Refer section 1.3. Various limitations can be listed as poor project planning, under-utilisation of capacity. Read full section.

Check Your Progress - 3

Activity 1

For answer Plz. see section 1.4.

Check Your Progress - 4

Activity 1

For answer refer section 1.5, 1.5.1 and 1.5.2.

16.8 REFERENCES / BIBLIOGRAPHY

- Davidson, R (1993)., *Tourism*, 2nd edn., Pitman Publishing, London.
- Chand, M (2006)., *Travel Agency Management: An Introductory Text*, 2nd edn., Anmol Publications, New Delhi.
- Annual Reports of KMVN & GMVN

16.9 REVIEW QUESTIONS

1. Review the functioning of GMVN and KMVN?
2. How do you foresee the future of tourism industry in Uttarakhand State?
3. List out various services offered by GMVN and KMVN?
4. Visit any tourist destination of Kumaon and Garhwal Mandal and find out various tourism products that attract you as a tourist?

Department of Tourism Management

विभाग - पर्यटन प्रबंधन

