



BCM(N)-101

ORGANIZATION & MANAGEMENT



Commerce Department

School of Management Studies and Commerce

BCM(N)-101

ORGANIZATION & MANAGEMENT



Uttarakhand Open University

University Road, Transport Nagar (Teenpani Bypass)

Haldwani 263139

Phone No. : (05946)-261122, 261123, 286055

Toll Free No. : 1800 180 4025

Fax No.: (05946)-264232, E-Mail: info@uou.ac.in, som@uou.ac.in

<http://www.uou.ac.in>

www.blogsomcuou.wordpress.com

BOARD OF STUDIES

Professor Nageshwar Rao

Vice Chancellor

Uttarakhand Open University, Haldwani

Professor RC Mishra (Convenor)

Director, School of Management Studies and
Commerce,

Uttarakhand Open University, Haldwani

Professor Bal Krishn Baali (Retd.)

Department of Commerce,

HPU, Shimla, H.P.

Dr. Hem Shankar Bajpai,

DDU Gorakhpur University, Gorakhpur

Professor Krishna Kumar Agarwal

Department of Management Studies

MG Kashi Vidhypeeth, Varanasi

Dr. Abhay Jain

Department of Commerce,

Shri Ram College of Commerce, New Delhi

Dr. Gagan Singh

Department of Commerce,

Uttarakhand Open University, Haldwani

Dr. Manjari Agarwal

Department of Management Studies,

Uttarakhand Open University, Haldwani

Dr. Sumit Prasad

Department of Management Studies,

Uttarakhand Open University, Haldwani

COURSE CO-ORDINATOR

Dr. Gagan Singh Department of Commerce, Uttarakhand Open University, Haldwani

Unit Writing**Unit Number**

Prosessor Mahesh Garg, Haryana School of Business, G J University of Science and 1- 6
Technology, Hisar

7-10

Om Deep Gupta, Department Of Management Studies, IMS Dehradun

Dr. N.L Sharma (Retd.) MJP RuhelKhand University, Ruhelkhand 11-15

EDITOR

Dr. Gagan Singh

Department of Commerce, Uttarakhand Open
University, Haldwani

Sunil Kumar

Department of Commerce,
Uttarakhand Open University, Haldwani

TRANSLATION

Dr. Shreesh Kumar Tiwari, Allahabad Degree College, Allahabad

1-2, 5-15

Dr. Gagan Singh Department of Commerce, Uttarakhand Open University, Haldwani

3-4

ISBN : 978-93-85740-43-5

COPYRIGHT : Uttarakhand Open University

Year of Publication : 2020

Published by : Uttarakhand Open University, Nainital- 263139

Printed at : (.....)

All rights reserve. No part this work may be reproduced in any form, by mimeograph or any other mean, without permission in writing from Uttarakhand Open University.

BCM(N)-101 ORGANISATION AND MANAGEMENT**Block-1 Concept of Management and Planning**

- Unit-1 Nature of Management
- Unit -2 Principles, Functions and Theories of Management
- Unit -3 Planning-Its Nature, Components and Process

Block -2 Organization and Delegation of Authority

- Unit- 4 Organization-Concept, Process and Types
- Unit -5 Organization Structures
- Unit -6 Delegation of Authority & Decentralization

Block -3 Decision Making and Communication

- Unit -7 Decision Making
- Unit -8 Staffing & Direction
- Unit -9 Co-ordination
- Unit -10 Communication

Block -4 Leadership, Controlling and Supervision

- Unit -11 Leadership
- Unit -12 Motivation
- Unit -13 Supervision
- Unit -14 Controlling and Techniques of Controlling
- Unit -15 Management of Organizational Change and Development

UNIT-1 NATURE OF MANAGEMENT

STRUCTURE

- 1.1 Introduction
- 1.2 Definition of Management
- 1.3 Characteristics of Management
- 1.4 Nature of Management
- 1.5 Management Vs. Administration
- 1.6 Levels of Management
- 1.7 Managerial Skills
- 1.8 The Manager and his job
- 1.9 Significance of Management
- 1.10 Summary
- 1.11 Glossary
- 1.12 Check Your Progress
- 1.13 Answers to Check Your Progress
- 1.14 Terminal Questions
- 1.15 References

OBJECTIVES

After reading this unit, you should be able to:

- Define management and describe the characteristics of management.
- Explain the nature of management.
- Understand the interplay between management and administration.
- Describe the roles performed by a manager.
- Appreciate the significance of management.

1.1 INTRODUCTION

A business develops in course of time with complexities. With increasing complexities managing the business has become a difficult task. The need of existence of management has increased tremendously. Management is essential not only for business concerns but also for banks, schools, colleges, hospitals, hotels, religious bodies, charitable trusts etc. Every business unit has some objectives of its own. These objectives can be achieved with the coordinated efforts of several personnel. The work of a number of persons are properly co-ordinated to achieve the objectives through the process of management is not a matter of pressing a button, pulling a lever, issuing orders, scanning profit and loss statements, promulgating rules and regulations. Rather it is the power to determine what shall happen to the personalities and happiness of entire people, the power to shape the destiny of a nation and of all the nations which make up the world.

Management is a vital aspect of the economic life of man, which is an organised group activity. It is considered as the indispensable institution in the modern social organization marked by scientific thought and technological innovations. One or the other form of management is essential wherever human efforts are to be undertaken collectively to satisfy wants through some productive activity, occupation or profession. It is management that regulates man's productive activities through coordinated use of material resources. Without the leadership provided by management, the resources of production remain resources and never become production.

1.2 DEFINITION OF MANAGEMENT

Although management as a discipline is more than 80 years old, there is no common agreement among its experts and practitioners about its precise definition. In fact, this is so in case of all social sciences like psychology, sociology, anthropology, economics, political science etc. As a result of unprecedented and breath-taking technological developments, business organizations have grown in size and complexity, causing consequential changes in the practice of management. Changes in management styles and practices have led to changes in management thought. Moreover, management being interdisciplinary in nature has undergone changes because of the developments in behavioral sciences, quantitative techniques, engineering and technology, etc. Since it deals with the production and distribution of goods and services, dynamism of its environments such as social, cultural and religious

values, consumers' tastes and preferences, education and information explosion, democratization of governments, etc., have also led to changes in its theory and practice. Yet, a definition of management is necessary for its teaching and research, and also for improvement in its practice.

Nevertheless, a definition of management is necessary for teaching and research in management and for improving its practices (profession). Many management experts have tried to define management. But, no definition of management has been universally accepted. Let us discuss some of the leading definitions of management:

Peter F. Drucker defines, "management is an organ; organs can be described and defined only through their functions".

According to Terry, "Management is not people; it is an activity like walking, reading, swimming or running. People who perform Management can be designated as members, members of Management or executive leaders."

According to Mc Farland, "Management is defined for conceptual, theoretical and analytical purposes as that process by which managers create, direct, maintain and operate purposive organization through systematic, co-ordinated co-operative human effort."

Harold Koontz says, "Management is the art of getting things done through and within formally organized group."

According to E.F.L. Brech, "Management is concerned with seeing that the job gets done, its tasks all centre on planning and guiding the operations that are going on in the enterprise."

Koontz and O'Donnell defines management as the creation and maintenance of an internal environment in an enterprise where individuals, working in groups, can perform efficiently and effectively toward the attainment of group goals. It is the art of getting the work done through and with people in formally organized groups."

Mary Parker Follett defines management as the "art of getting things done through people".

This definition calls attention to the fundamental difference between a manager and other personnel of an organization. A manager is one who contributes to the organization's goals indirectly by directing the efforts of others – not by performing the task himself. On the other hand, a person who is not a manager makes his contribution to the organization's goals directly by performing the task himself.

Sometimes, however, a person in an organization may play both these roles simultaneously. For example, a sales manager is performing a managerial role when he is directing his sales force to meet the organization's goals, but when he himself is contacting a large customer and negotiating a deal, he is performing a non-managerial role. In the former role, he is directing the efforts of others and is contributing to the organization's goals indirectly; in the latter role, he is directly utilizing his skills as a salesman to meet the organization's objectives.

A somewhat more elaborate definition of management is given by George R. Terry. He defines management as a process "consisting of planning, organizing, actuating and controlling, performed to determine and accomplish the objectives by the use of people and other resources". According to this definition, management is a process – a systematic way of doing things. The four management activities included in this process are: planning, organizing, actuating and controlling. Planning means that managers think of their actions in advance. Organizing means that managers coordinate the human and material resources of the organization. Actuating means that managers motivate and direct subordinates. Controlling means that managers attempt to ensure that there is no deviation from the norm or plan. If some part of their organization is on the wrong track, managers take action to remedy the situation.

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 organization (iv) direct and motivate the men at work, (v) supervises and control their performance and (vi) provide maximum prosperity and happiness for both employer and employees and public at large.

1.3 CHARACTERISTICS OF MANAGEMENT

Management is a distinct activity having the following salient features:

- 1. Economic Resource:** Management is one of the factors of production together with land, labour and capital. As industrialization increases, the need for managers also increases. Efficient management is the most critical input in the success of any organized group activity as it is the force which assembles and integrates other factors of production, namely, labour, capital and materials. Inputs of labour, capital and materials do not by themselves ensure production, they require the catalyst of management to produce goods and services required by the society. Thus, management is an essential ingredient of an organization.
- 2. Goal Oriented:** Management is a purposeful activity. It coordinates the efforts of workers to achieve the goals of the organization. The success of management is measured by the extent to which the organizational goals are achieved. It is imperative that the organizational goals must be well-defined and properly understood by the management at various levels.
- 3. Distinct Process:** Management is a distinct process consisting of such functions as planning, organizing, staffing, directing and controlling. These functions are so interwoven that it is not possible to lay down exactly the sequence of various functions or their relative significance.
- 4. Integrative Force:** The essence of management is integration of human and other resources to achieve the desired objectives. All these resources are made available to those who manage. Managers apply knowledge, experience and management principles for getting the results from the workers by the use of non-human resources. Managers also seek to harmonize the individuals' goals with the organizational goals for the smooth working of the organization.
- 5. System of Authority:** Management as a team of managers represents a system of authority, a hierarchy of command and control. Managers at different levels possess varying degree of authority. Generally, as we move down in the managerial hierarchy, the degree of authority gets gradually reduced. Authority enables the managers to perform their functions effectively.
- 6. Multi-disciplinary Subject:** Management has grown as a field of study (i.e. discipline) taking the help of so many other disciplines such as engineering, anthropology, sociology and psychology. Much of the management literature is the result of the association of these disciplines. For instance, productivity orientation drew its inspiration from industrial

engineering and human relations orientation from psychology. Similarly, sociology and operations research have also contributed to the development of management science.

7. Universal Application: Management is universal in character. The principles and techniques of management are equally applicable in the fields of business, education, military, government and hospital. Henri Fayol suggested that principles of management would apply more or less in every situation. The principles are working guidelines which are flexible and capable of adaptation to every organization where the efforts of human beings are to be coordinated.

1.4 NATURE OF MANAGEMENT

Management has been conceptualized earlier in this unit, as the social process by which managers of an enterprise integrate and coordinate its resources for the achievement of common, explicit goals. It has developed into a body of knowledge and a separate identifiable discipline during the past six decades. Practice of management as an art is, of course, as old as the organized human effort for the achievement of common goals. Management has also acquired several characteristics of profession during recent times. Large and medium-sized enterprise in India and elsewhere are managed by professional managers – managers who have little or no share in the ownership of the enterprise and look upon management as a career. The nature of management as a science, as art and as a profession is discussed below:

a. Management as a Science: Development of management as a science is of recent origin, even though its practice is ages old. Fredrick W. Taylor was the first manager-theorist who made significant contributions to the development of management as a science. He used the scientific methods of analysis, observation and experimentation in the management of production function. A perceptive manager, as he was, he distilled certain fundamental principles and propounded the theory and principles of scientific management. His work was followed by many others including Gantt, Emerson, Fayol, Barnard, etc. During the last few decades, great strides have been made in the development of management as a systematized body of knowledge which can be learnt, taught and researched. It has also provided powerful tools of analysis, prediction and control to practicing managers. The scientific character of management has been particularly strengthened by management scientists who have developed mathematical models of decision making.

Another characteristic of science in management is that it uses the scientific methods of observation, experimentation and laboratory research. Management principles are firmly based on observed phenomena, and systematic classification and analysis of data. These analyses and study of observed phenomena are used for inferring cause-effect relationships between two or more variables. Generalizations about these relationships result in hypotheses. The hypotheses when tested and found to be true are called principles. These principles when applied to practical situations help the practitioner in describing and analyzing problems, solving problems and predicting the results.

Even though management is a science so far as to possess a systematized body of knowledge and uses scientific methods of research, it is not an exact science like natural sciences. This is simply because management is a social science, and deals with the behavior of people in organization. Behavior of people is much more complex and variable than the behavior of inanimate things such as light or heat. This makes controlled experiments very difficult. As a result, management principles lack the rigor and exactitude which is found in physics and chemistry. In fact, many natural sciences which deal with living phenomena such as botany and medicine are also not exact. Management is a social science like economics or psychology, and has the same limitations which these and other social sciences have. But this does not in any way diminish the value of management as a knowledge and discipline. It has provided powerful tools of analysis, prediction and control to practicing managers and helped them in performing their material tasks more efficiently and effectively.

b. Management as an art: Just as an engineer uses the science of engineering while building a bridge, a manager uses the knowledge of management theory while performing his managerial functions. Engineering is a science; its application to the solution of practical problems is an art. Similarly, management as a body of knowledge and a discipline is a science; its application to the solution of organizational problems is an art. The practice of management, like the practice of medicine, is firmly grounded in an identifiable body of concepts, theories and principles. A medical practitioner, who does not base his diagnosis and prescription on the science of medicine, endangers the life of his patient. Similarly, a manager who manages without possessing the knowledge of management creates chaos and jeopardizes the well-being of his organization.

Principles of management like the principles of medicine are used by the practitioner not as rules of thumb but as guides in solving practical problems. It is often said that managerial decision making involves a large element of judgment. This is true too. The raging controversy whether management is a science or an art is fruitless. It is a science as well as an art. Developments in the field of the knowledge of management help in the improvement of its practice; and improvements in the practice of management spur further research and study resulting in further development of management science.

c. Management as a Profession: We often hear of professionalization of management in our country. By a professional manager, we generally mean a manager who undertakes management as a career and is not interested in acquiring ownership share in the enterprise which he manages. But, is management a profession in the true sense of the word? or, is management a profession like the professions of law and medicine? According to McFarland a profession possess the following characteristics: (i) a body of principles, techniques, skills, and specialized knowledge; (ii) formalized methods of acquiring training and experience; (iii) the establishment of a representative organization with professionalization as its goal; (iv) the formation of ethical codes for the guidance of conduct; and (v) the charging of fees based on the nature of services.

Management is a profession to the extent it fulfills the above conditions. It is a profession in the sense that there is a systematized body of management, and it is distinct, identifiable discipline. It has also developed a vast number of tools and techniques. But unlike medicine or law, a management degree is not a prerequisite to become a manager. In fact, most managers in India as elsewhere do not have a formal management education. It seems reasonable to assume that at no time in the near future, the possession of a management degree will be a requirement for employment as a career manager.

Management is also a profession in the sense that formalized methods of training is available to those who desire to be managers. We have a number of institutes of management and university departments of management which provide formal education in this field. Training facilities are provided in most companies by their training divisions. A number of organizations such as the Administrative Staff College of India, the Indian Institutes of Management, Management Development Institute, the All India Management Association, and the university departments of management offer a variety of short-term management training

programmes. Management partially fulfils the third characteristic of profession. There are a number of representative organizations of management practitioners almost in all countries such as the All India Management Association in India, the American Management Association in U.S.A., etc. However, none of them have professionalization of management as its goal.

Management does not fulfill the last two requirements of a profession. There is no ethical code of conduct for managers as for doctors and lawyers. Some individual business organizations, however, try to develop a code of conduct for their own managers but there is no general and uniform code of conduct for all managers. In fact, bribing public officials to gain favours, sabotaging trade unions, manipulating prices and markets are by no means uncommon management practices. Furthermore, managers in general do not seem to adhere to the principle of "service above self". However little regard is paid to the elevation of service over the desire for monetary compensation is evidenced by switching of jobs by managers. Indeed, such mobile managers are regarded as more progressive and modern than others.

It may be concluded from the above discussion that management is a science, an art as well as a profession. As a social science, management is not as exact as natural sciences, and it is not as fully a profession as medicine and law.

1.5 MANAGEMENT VS. ADMINISTRATION

The use of two terms management and administration has been a controversial issue in the management literature. Some writers do not see any difference between the two terms, while others maintain that administration and management are two different functions. Those who held management and administration distinct include Oliver Sheldon, Florence and Tead, Spriegel and Lansburg, etc. According to them, management is a lower-level function and is concerned primarily with the execution of policies laid down by administration. But some English authors like Brech are of the opinion that management is a wider term including administration. This controversy is discussed as under in three heads:

- (i) Administration is concerned with the determination of policies and management with the implementation of policies. Thus, administration is a higher level function.
- (ii) Management is a generic term and includes administration.

(iii) There is no distinction between the terms management and administration and they are used interchangeably.

(i) **Administration is a Higher Level Function:** Oliver Sheldon subscribed to the first viewpoint. According to him, "Administration is concerned with the determination of corporate policy, the coordination of finance, production and distribution, the settlement of the compass of the organization and the ultimate control of the executive. Management proper is concerned with the execution of policy within the limits set up by administration and the employment of the organization in the particular objects before it... Administration determines the organization; management uses it. Administration defines the goals; management strives towards it".

Administration refers to policy-making whereas management refers to execution of policies laid down by administration. This view is held by Tead, Spriegel and Walter. Administration is the phase of business enterprise that concerns itself with the overall determination of institutional objectives and the policies unnecessary to be followed in achieving those objectives. Administration is a determinative function; on the other hand, management is an executive function which is primarily concerned with carrying out of the broad policies laid down by the administration. Thus, administration involves broad policy-making and management involves the execution of policies laid down by the administration as shown in Table 1.

Table 1: Administration Vs. Management

Basis	Administration	Management
1. Meaning	Administration is concerned with the formulation of objectives, plans and policies of the organization	Management means getting the work done through and with others.
2. Nature of execution	Administration relates to the decision-making. It is a thinking function.	Management refers to of decisions. It is a doing
3. Decision Making	Administration determines what is to be done and when it is to be done	Management decides who shall implement the administrative decisions.

4. Status lower	Administration refers to higher levels of management	Management is relevant at levels in the organization.
-----------------	--	---

(ii) **Management is a Generic Term:** The second viewpoint regards management as a generic term including administration. According to Brech, "Management is a social process entailing responsibility for the effective and economical planning and regulation of the operation of an enterprise in fulfillment of a given purpose or task. Administration is that part of management which is concerned with the installation and carrying out of the procedures by which the programme is laid down and communicated and the progress of activities is regulated and checked against plans". Thus, Brech conceives administration as a part of management. Kimball and Kimball also subscribe to this view. According to them administration is a part of management. Administration is concerned with the actual work of executing or carrying out the objectives.

(iii) **Management and Administration are Synonymous:** The third viewpoint is that there is no distinction between the terms 'management' and 'administration'. Usage also provides no distinction between these terms. The term management is used for higher executive functions like determination of policies, planning, organizing, directing and controlling in the business circles, while the term administration is used for the same set of functions in the Government circles. So there is no difference between these two terms and they are often used interchangeably.

It seems from the above concepts of administration and management that administration is the process of determination of objectives, laying down plans and policies, and ensuring that achievements are in conformity with the objectives. Management is the process of executing the plans and policies for the achievement of the objectives determined by an administration. This distinction seems to be too simplistic and superficial. If we regard chairmen, managing directors and general managers as performing administrative functions, it cannot be said that they perform only planning functions of goal determination, planning and policy formulation, and do not perform other functions such as staffing functions of selection and promotion, or directing functions of leadership, communication and motivation. On the other hand, we cannot say that managers who are responsible for the execution of plans and formulation of plans and policies, etc. do not contribute to the administrative functions of goal determination, and formulation of plans and policies. In fact all managers, whether the chief executive or the first

line supervisor, are in some way or the other involved in the performance of all the managerial functions. It is, of course, true that those who occupy the higher echelons of organizational hierarchy are involved to a greater extent in goal determination, plans and policy formulation and organizing than those who are at the bottom of the ladder.

1.6 LEVELS OF MANAGEMENT

An enterprise may have different levels of management. Levels of management refer to a line of demarcation between various managerial positions in an enterprise. The levels of management depend upon its size, technical facilities, and the range of production. We generally come across two broad levels of management, viz. (i) administrative management (i.e., the upper level of management) and (ii) operating management (i.e., the lower level of management). Administrative management is concerned with "thinking" functions such as laying down policy, planning and setting up of standards. Operative management is concerned with the "doing" function such as implementation of policies, and directing the operations to attain the objectives of the enterprise.

But in actual practice, it is difficult to draw any clear cut demarcation between thinking function and doing function. Because the basic/fundamental managerial functions are performed by all managers irrespective of their levels or, ranks. For instance, wage and salary director of a company may assist in fixing wages and salary structure as a member of the Board of Directors, but as head of wages and salary department, his job is to see that the decisions are implemented.

The real significance of levels is that they explain authority relationships in an organization. Considering the hierarchy of authority and responsibility, one can identify three levels of management namely:

- (i) **Top management** of a company consists of owners/shareholders, Board of Directors, its Chairman, Managing Director, or the Chief Executive, or the General Manager or Executive Committee having key officers.
- (ii) **Middle management** of a company consists of heads of functional departments viz. Purchase Manager, Production Manager, Marketing Manager, Financial controller, etc. and Divisional and Sectional Officers working under these Functional Heads.

(iii) **Lower level or operative management** of a company consists of Superintendents, Foremen, Supervisors, etc.

1. **Top management:** Top management is the ultimate source of authority and it lays down goals, policies and plans for the enterprise. It devotes more time on planning and coordinating functions. It is accountable to the owners of the business of the overall management. It is also described as the policy making group responsible for the overall direction and success of all company activities. The important functions of top management include:

- (a) To establish the objectives or goals of the enterprise.
- (b) To make policies and frame plans to attain the objectives laid.
- (c) To set up an organizational frame work to conduct the operations as per plans.
- (d) To assemble the resources of money, men, materials, machines and methods to put the plans into action.
- (e) To exercise effective control of the operations.
- (f) To provide overall leadership to the enterprise.

2. **Middle management:** The job of middle management is to implement the policies and plans framed by the top management. It serves as an essential link between the top management and the lower level or operative management. They are responsible to the top management for the functioning of their departments. They devote more time on the organization and motivation functions of management. They provide the guidance and the structure for a purposeful enterprise. Without them the top management's plans and ambitious expectations will not be fruitfully realized. The following are the main functions of middle management:

- (a) To interpret the policies chalked out by top management.
- (b) To prepare the organizational set up in their own departments for fulfilling the objectives
 - implied in various business policies.
- (c) To recruit and select suitable operative and supervisory staff.
- (d) To assign activities, duties and responsibilities for timely implementation of the plans.

- (e) To compile all the instructions and issue them to supervisor under their control.
- (f) To motivate personnel to attain higher productivity and to reward them properly.
- (g) To cooperate with the other departments for ensuring a smooth functioning of the entire organization.
- (h) To collect reports and information on performance in their departments.
- (i) To report to top management
- (j) To make suitable recommendations to the top management for the better execution of plans and policies.

3. **Lower or operative management:** It is placed at the bottom of the hierarchy of management, and actual operations are the responsibility of this level of management. It consists of foreman, supervisors, sales officers, accounts officers and so on. They are in direct touch with the rank and file or workers. Their authority and responsibility is limited. They pass on the instructions of the middle management to workers.

They interpret and divide the plans of the management into short-range operating plans. They are also involved in the process of decisions-making. They have to get the work done through the workers. They allot various jobs to the workers, evaluate their performance and report to the middle level management. They are more concerned with direction and control functions of management. They devote more time in the supervision of the workers.

1.7 MANAGERIAL SKILLS

A skill is an individual's ability to translate knowledge into action. Hence, it is manifested in an individual's performance. Skill is not necessarily inborn. It can be developed through practice and through relating learning to one's own personal experience and background. In order to be able to successfully discharge his roles, a manager should possess three major skills. These are conceptual skill, human relations skill and technical skill. Conceptual skill deals with ideas, technical skill with things and human skill with people. While both conceptual and technical skills are needed for good decision-making, human skill is necessary for a good leader.

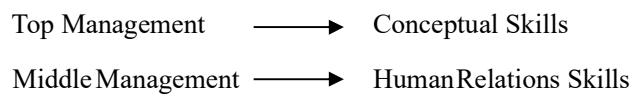
The conceptual skill refers to the ability of a manager to take a broad and farsighted view of the organization and its future, his ability to think in abstract, his ability to analyze the forces working in a situation, his creative and innovative ability and his ability to assess the environment and the changes taking place in it. It short, it is his ability to conceptualize the environment, the organization, and his own job, so that he can set appropriate goals for his organization, for himself and for his team. This skill seems to increase in importance as manager moves up to higher positions of responsibility in the organization.

The technical skill is the manager's understanding of the nature of job that people under him have to perform. It refers to a person's knowledge and proficiency in any type of process or technique. In a production department this would mean an understanding of the technicalities of the process of production. Whereas this type of skill and competence seems to be more important at the lower levels of management, its relative importance as a part of the managerial role diminishes as the manager moves to higher positions. In higher functional positions, such as the position of a marketing manager or production manager, the conceptual component, related to these functional areas becomes more important and the technical component becomes less important.

Human relations skill is the ability to interact effectively with people at all levels. This skill develops in the manager sufficient ability (a) to recognize the feelings and sentiments of others; (b) to judge the possible actions to, and outcomes of various courses of action he may undertake; and (c) to examine his own concepts and values which may enable him to develop more useful attitudes about himself. This type of skill remains consistently important for managers at all levels.

Table-2 gives an idea about the required change in the skill-mix of a manager with the change in his level. At the top level, technical skill becomes least important. That is why, people at the top shift with great ease from one industry to another without an apparent fall in their efficiency. Their human and conceptual skills seem to make up for their unfamiliarity with the new job's technical aspects.

Table 2 : Skill-mix of different management levels



Low Management → Technical Skills

1.8 THE MANAGER AND HIS JOB

Management performs the functions of planning, organizing, staffing, directing and controlling for the accomplishment of organizational goals. Any person who performs these functions is a manager. The first line manager or supervisor or foreman is also a manager because he performs these functions. The difference between the functions of top, middle and lowest level management is that of degree. For instance, top management concentrates more on long-range planning and organization, middle level management concentrates more on coordination and control and lowest level management concentrates more on direction function to get the things done from the workers.

Every manager is concerned with ideas, things and people. Management is a creative process for integrating the use of resources to accomplish certain goals. In this process, ideas, things and people are vital inputs which are to be transformed into output consistent with the goals.

Management of ideas implies use of conceptual skills. It has three connotations. *First*, it refers to the need for practical philosophy of management to regard management as a distinct and scientific process. *Second*, management of ideas refers to the planning phase of management process. *Lastly*, management of ideas refers to distinction and innovation. Creativity refers to generation of new ideas, and innovation refers to transforming ideas into viable relations and utilities. A manager must be imaginative to plan ahead and to create new Ideas.

Management of things (non-human resources) deal with the design of production system, and acquisition, allocation and conversion of physical resources to achieve certain goals. Management of people is concerned with procurement, development, maintenance and integration of human resources in the organization. Every manager has to direct his subordinates to put the organizational plans into practice.

The greater part of every manager's time is spent in communicating and dealing with people. His efforts are directed towards obtaining information and evaluating progress towards objectives set by him and then taking corrective action. Thus, a manager's job primarily consists of management of people. Though it is his duty to handle all the productive resources, but

human factor is more important. A manager cannot convert the raw materials into finished products himself; he has to take the help of others to do this. The greatest problem before any manager is how to manage the personnel to get the best possible results. The manager in the present age has to deal efficiently with the people who are to contribute for the achievement of organizational goals.

Peter F. Drucker has advocated that the managerial approach to handle workers and work should be pragmatic and dynamic. Every job should be designed as an integrated set of operations. The workers should be given a sufficient measure of freedom to organize and control their work environment. It is the duty of every manager to educate, train and develop people below him so that they may use their potentialities and abilities to perform the work allotted to them. He has also to help them in satisfying their needs and working under him, he must provide them with proper environment. A manager must create a climate which brings in and maintains satisfaction and discipline among the people. This will increase organizational effectiveness.

Recently, it has been questioned whether planning, organizing, directing and controlling provides an adequate description of the management process. After an intensive observation of what five top executive actually did during the course of a few days at work, Henry Mintzberg concluded that these labels do not adequately capture the reality of what managers do. He suggested instead that the manager should be regarded as playing some ten different roles, in no particular order.

Role Performed by Managers

The following are the roles performed by a manager:

- 1. Interpersonal Roles**
 - a. Figurehead:** In this role, every manager has to perform some duties of a ceremonial nature, such as greeting the touring dignitaries, attending the wedding of an employee, taking an important customer to lunch and so on.
 - b. Leader:** As a leader, every manager must motivate and encourage his employees. He must also try to reconcile their individual needs with the goals of the organization.

c. **Liaison:** In this role of liaison, every manager must cultivate contacts outside his vertical chain of command to collect information useful for his organization.

2. Informational Roles

a. **Monitor:** As monitor, the manager has to perpetually scan his environment for information, interrogate his liaison contacts and his subordinates, and receive unsolicited information, much of it as result of the network of personal contacts he has developed.

b. **Disseminator:** In the role of a disseminator, the manager passes some of his privileged information directly to his subordinates who would otherwise have no access to it.

c. **Spokesman:** In this role, the manager informs and satisfies various groups and people who influence his organization. Thus, he advises shareholders about financial performance, assures consumer groups that the organization is fulfilling its social responsibilities and satisfies government that the organization is abiding by the law.

3. Decisional Roles

a. **Entrepreneur:** In this role, the manager constantly looks out for new ideas and seeks to improve his unit by adapting it to changing conditions in the environment.

b. **Disturbance Handler:** In this role, the manager has to work like a fire fighter. He must seek solutions of various unanticipated problems – a strike may loom large a major customer may go bankrupt; a supplier may renege on his contract, and so on.

c. **Resource Allocator:** In this role, the manager must divide work and delegate authority among his subordinates. He must decide who will get what.

d. **Negotiator:** The manager has to spend considerable time in negotiations. Thus, the chairman of a company may negotiate with the union leaders a new strike issue, the foreman may negotiate with the workers a grievance problem, and so on.

In addition, managers in any organization work with each other to establish the organization's long-range goals and to plan how to achieve them. They also work together to

provide one another with the accurate information needed to perform tasks. Thus, managers act as channels of communication with the organization.

Characteristics of Professional Managers

The characteristics of a professional manager are as follows:

- 1. Managers are responsible and accountable:** Managers are responsible for seeing that specific tasks are done successfully. They are usually evaluated on how well they arrange for these tasks to be accomplished. Managers are responsible for the actions of their subordinates. The success or failure of subordinates is a direct reflection of managers' success or failure. All members of an organization, including those who are not managers, are responsible for their particular tasks. The difference is that managers are held responsible, or accountable, not only for their own work, but also for the work of subordinates.
- 2. Managers balance competing goals and set priorities:** At any given time, the manager faces a number of organizational goals, problems and needs all of which compete for the manager's time and resources (both human and material). Because such resources are always limited, the manager must strike a balance between the various goals and needs. Many managers, for example, arrange each day's tasks in order of priority the most important things are done right away, while the less important tasks are looked at later. In this way, managerial time is used effectively.

A manager must also decide who is to perform a particular task and must assign work to an appropriate person. Although ideally each person should be given the task he would most like to do, this is not always possible. Sometimes individual ability is the decisive factor, and a task is assigned to the person most able to accomplish it. But sometimes a less capable worker is assigned a task as a learning experience. And, at times, limited human or other resources dictate decisions for making work assignments. Managers are often caught between conflicting human and organizational needs and so they must identify priorities.

- 3. Managers think analytically and conceptually:** To be an analytical thinker, a manager must be able to break a problem down into its components, analyze those components and then come up with a feasible solution. But even more important, a manager must be a conceptual thinker, able to view the entire task in the abstract and relate it to other tasks. Thinking about a particular task in relation to its larger implications is no simple matter. But it is essential if the

manager is to work towards the goals of the organization as a whole as well as towards the goals of an individual unit.

4. Managers are mediators: Organizations are made up of people, and people disagree or quarrel quite often. Disputes within a unit or organization can lower morale and productivity, and they may become so unpleasant or disruptive that competent employees decide to leave the organization. Such occurrences hinder work towards the goals of the unit or organization; therefore, managers must at times take on the role of mediator and iron out disputes before they get out of hand. Setting conflicts requires skill and tact. Managers who are careless in their handling conflicts may later on find that they have only made matters worse.

5. Managers make difficult decisions: No organization runs smoothly all the time. There is almost no limit to the number and types of problems that may occur: financial difficulties, problems with employees, or differences of opinion concerning an organization policy, to name just a few. Managers are expected to come up with solutions to difficult problems and to follow through on their decisions even when doing so may be unpopular.

This description of these managerial roles and responsibilities shows that managers must 'change hats' frequently and must be alert to the particular role needed at a given time. The ability to recognize the appropriate role to be played and to change roles readily is a mark of an effective manager.

1.9 SIGNIFICANCE OF MANAGEMENT

Management is concerned with acquiring maximum prosperity with a minimum effort. Management is essential wherever group efforts are required to be directed towards achievement of common goals. In this management conscious age, the significance of management can hardly be over emphasized. It is said that, anything minus management amounts to nothing. Koontz and O' Donnel have rightly observed "there is no more important area of human activity than management since its task is that of getting things done through others."

The significance of management in business activities is relatively greater. The inputs of labour, capital and raw material never become productive without the catalyst of

management. It is now widely recognized that management is an important factor of growth of any country. The following points further highlight the significance of management:

- 1. Achievements of group goals:** Management makes group efforts more effective. The group as a whole cannot realize its objectives unless and until there is mutual co-operation and co-ordination among the members of the group. Management creates team work and team spirit in an organization by developing a sound organization structure. It brings the human and material resources together and motivates the people for the achievement of the goals of the organization.
- 2. Optimum utilization of resources:** Management always concentrates on achieving the objectives of the enterprise. The available resources of production are put to use in such a way that all sort of wastage and inefficiencies are reduced to a minimum. Workers are motivated to put in their best performance by the inspiring leadership. Managers create and maintain an environment conducive to highest efficiency and performance. Through the optimum use of available resources, management accelerates the process of economic growth.
- 3. Minimization of cost:** In the modern era of intense competition, every business enterprise must minimize the cost of production and distribution. Only those concerns can survive in the market, which can produce goods of better quality at the minimum cost. A study of the principles of management helps in knowing certain techniques used for reducing costs. These techniques are production control, budgetary control, cost control, financial control, material control, etc.
- 4. Change and growth:** A business enterprise operates in a constantly changing environment. Changes in business environment create uncertainties and risk and also produce opportunities for growth. An enterprise has to change and adjust itself in the ever-changing environment. Sound management moulds not only the enterprise but also alters the environment itself to ensure the success of the business. Many of the giant business corporations of today had a humble beginning and grew continuously through effective management.
- 5. Efficient and smooth running of business:** Management ensures efficient and smooth running of business, through better planning, sound organization and effective control of the various factors of production.

6. **Higher profits:** Profits can be enhanced in any enterprise either by increasing the sales revenue or reducing costs. To increase the sales revenue is beyond the control of an enterprise. Management by decreasing costs increases its profits and thus provides opportunities for future growth and development.
7. **Provide innovation:** Management gives new ideas, imagination and visions to an enterprise.
8. **Social benefits:** Management is useful not only to the business firms but to the society as a whole. It improves the standard of living of the people through higher production and more efficient use of scarce resources. By establishing cordial relations between different social groups, management promotes peace and prosperity in society.
9. **Useful for developing countries:** Management has to play a more important role in developing countries, like India. In such countries, the productivity is low and the resources are limited. It has been rightly observed, "There are no under-developed countries. They are only under-managed ones".
10. **Sound organization structure:** Management establishes proper organization structure and avoids conflict between the superiors and subordinates. This helps in the development of spirit of cooperation and mutual understanding, and a congenial environment is provided in the organization.

1.10 SUMMARY

Management is the force that unifies various resources and is the process of bringing them together and coordinating them to help accomplish organization goal. Management is both, a science as well as art. It is an inexact science. However, its principles as distinguished from practice are of universal application. Management does not yet completely fulfill all the criteria of a profession. There are three levels of management - top, middle and lower. Managers at different levels of the organization require and use different types of skills. Lower level managers require and use a greater degree of technical skill than high level managers, while higher level managers require and use a greater degree of conceptual skill. Human skills are important at all managerial levels.

1.11 GLOSSARY

Management: It is the art of getting things done with people and through informally organized groups.

Top Management: In any organization, top management is the ultimate source of authority.

Administration: Administration is formulation of policies and is a determinative function.

Conceptual Skill: It is the ability of a manager to take a broad and far-sighted view of the organization.

Planning: Determining the objectives of the unit or activity.

1.12 CHECK YOUR PROGRESS

A. Fill in the blanks:

- a. Management is one of the factors of _____ together with land, labour and capital.
- b. The success of management is _____ by the extent to which the organizational goals are achieved.
- c. _____ was the first manager-theorist who made significant contributions to the development of management as a science.
- d. Management is a social science, and deals with the _____ of the people in organization.

B. State whether the following statements are True or False:

- a. Management coordinates the efforts of workers to achieve the goals of the organization.
- b. Management refers to policy-making while administration refers to execution of policies laid down by management.
- c. Operative management is concerned with ‘thinking’ function such as laying down policy, planning and setting up of standards.
- d. The success or failure of subordinates is a direct reflection of managers’ success or failure.

1.13 ANSWERS TO CHECK YOUR PROGRESS

A a. Production b. Measured c. F W Taylor d. Behavior

C. a. True b. False c. False d. True

1.14 TERMINAL AND MODEL QUESTIONS

1. "There is no important area of human activity than management since its task is that of getting things done through people". Discuss.
2. "Management is both a science and an art". Discuss this statement, giving suitable examples.
3. Define Management. How does it differ from Administration?
4. What do you understand by the term "Levels of Management"? Explain with reference to an organization with which you are familiar.
5. Briefly discuss the nature and scope of Management.
6. What are the functions of a Manager? Is mere knowledge of Management enough to become successful manager?

1.12 REFERENCES

1. Kootnz & O'Donnell, Principles of Management.
2. J.S. Chandan, Management Concepts and Strategies.
3. Arun Kumar and R. Sharma, Principles of Business Management.
4. Sherlerkar and Sherlerkar, Principles of Management
5. Tripathi and Reddy, Principles of Management
6. Kimball and Kimball, Principles of Industrial Organisation

UNIT- 2 PRINCIPLES, FUNCTIONS AND THEORIES OF MANAGEMENT

STRUCTURE

- 2.1 Introduction
- 2.2 Functions of Management
- 2.3 Principles of Management
- 2.4 Theories of management
- 2.5 Summary
- 2.6 Glossary
- 2.7 Check Your Progress
- 2.8 Answers to Check Your Progress
- 2.9 Terminal Questions
- 2.10 References

OBJECTIVES

After reading this unit, you should be able to:

- Explain the functions of management.
- Describe the principles of management.
- Know the major contributors to the growth of management.

2.1 INTRODUCTION

Management practice is as old as human civilization, when people started living together in groups, for every human group requires management and the history of human beings is full of organizational activities. Even a smallest human group in our society i.e. family also needs management. The head of the family acts as top management and the housewife acts as a home manager. She plans about the work to be done, how the work has to be done, who is to do the work and whether the work is done properly or not. She performs all the four functions of management i.e. planning the budget and day to day activities, organizing the

things and activities of different people, directing the servants and different members of the family and controlling activities of different members of the family. Family is a very informal type of human group. Even if this informal human group is not managed properly it will lead to great fuse and confusion. So, just imagine about large and complex institutions emerging these days.

During the last five decades, management as a discipline has attracted the attention of academicians and practitioners to a very great extent. The basic reason behind this phenomenon is the growing importance of management in day to day life of people. Today, the society has large and complex institutions with many people working together. The relationship between managers and managed has changed as compared to the older master-servant relationship making it more complex. People have greater expectations from their jobs. In order to make all these things function properly, people have been trying to evolve some method and techniques. Such attempts have given birth to management as a separate discipline. It has grown over the period of time making itself one of the most respected disciplines. Today, the study of management has become an important fact of human life.

2.2 FUNCTIONS OF MANAGEMENT

Management process suggests that all the managers in the organization perform certain functions to get the things done by others. However, what are these functions which comprise management process is not quite clear and divergent views have been expressed on this. List of management functions varies from author to author with the number of functions ranging from three to eight. There is enough disagreement among management writers on the classification of managerial functions.

Newman and Summer: Recognize only four functions, namely, organizing, planning, leading and controlling.

Henri Fayol: Identifies five functions of management, viz. planning, organizing, commanding, coordinating and controlling.

Luther Gulick: States seven such functions under the catch word "POSDCORB" which stands for planning, organizing, staffing, directing, coordinating, reporting and budgeting.

Warren Haynes and Joseph Massie: Classify management functions into decision-making, organizing, staffing, planning, controlling, communicating and directing.

Koontz and O'Donnell: Divide these functions into planning organizing, staffing, directing and controlling. **Earnest Dale** has suggested innovation and representing also as important management functions besides these. Thus it can be seen that there is no agreement over the various functions of management. These functions have been treated differently over the period of time. **Ervin Williams** has summarized the various managerial functions developed over the period of time.

For our purpose, we shall designate the following six as the functions of a manager: planning, organizing, staffing, directing, coordinating and controlling:

1. Planning

The planning function is the primary activity of management. Planning is the process of establishing goals and a suitable course of action for achieving those goals. If people working in groups have to perform effectively, they should know in advance what is to be done, what activities they have to perform in order to do what is to be done, and when it is to be done. Planning is concerned with 'what', 'how, and 'when' of performance. It is deciding in the present about the future objectives and the courses of action for their achievement. The organizing, leading and controlling functions all derived from the planning function.

The first step in the planning is the selection of goals for the organization. Goals are then established for each of the organization's subunits-its division, department and soon. Once these are determined, programs are established for achieving goals in a systematic manner.

The organizational objectives are set by top management in the context of its basic purpose and mission, environmental factors, business forecasts, and available and potential resources. These objectives are both long-range as well as short-range. They are divided into divisional, departmental, sectional and individual objectives or goals. This is followed by the development of strategies and courses of action to be followed at various levels of management and in various segments of the organization. Policies, procedures and rules provide the framework of decision making, and the method and order for the making and implementation of these decisions.

Every manager performs all these planning functions, or contributes to their performance. In some organizations, particularly those which are traditionally managed and the small ones, planning are often not done deliberately and systematically but it is still done. The plans may be in the minds of their managers rather than explicitly and precisely spelt out:

they may be fuzzy rather than clear but they are always there. Planning is thus the most basic function of management. It is performed in all kinds of organizations by all managers at all levels of hierarchy.

Relationship and time are central to planning activities. Planning produces a picture of desirable future circumstances - given currently available resources, past experience etc. Planning is done by all managers at every level of the organization. Through their plans, managers outline what the organization must do to be successful while plans may differ in focus, they are all concerned with achieving organizational goals in the short and long term. Taken as a whole, an organization's plans are the primary tools for preparing for and dealing with changes in the organization's environment.

2. Organizing

After managers develop objectives and plans to achieve the objectives, they must design and develop an organization that will be able to accomplish the objectives. Thus the purpose of the organizing function is to create a structure of task and authority relationships that serves this purpose. Organizing is the process of arranging and allocating work, authority, and resources among an organization's members so they can achieve the organization's goals.

Stoner defines: “organizing as the process of engaging two or more people in working together in a structured way to achieve a specific goal or set of goals.

The organizing function takes the tasks identified during planning and assigns them to individuals and groups within the organization so that objectives set by planning can be achieved. Organizing, then, can be thought of turning plans into actions. Organizing function can be viewed as a bridge connecting the conceptual idea developed in creating and planning to the specific means for accomplishing these ideas.

The organizing function also provides an organizational structure that enables the organization to function effectively. Managers must match an organization's structure to its goals and resources, a process called organizational design. Organizing thus involves the following sub-functions:

- (a) Identification of activities required for the achievement of objectives and implementation of plans.
- (b) Grouping the activities so as to create self-contained jobs.
- (c) Assignment of jobs to employees.

- (d) Delegation of authority so as to enable them to perform their jobs and to command the resources needed for their performance.
- (e) Establishment of a network of coordinating relationships.

Organizing process results in a structure of the organization. It comprises organizational positions, accompanying tasks and responsibilities, and a network of roles and authority-responsibility relationships. Organizing is thus the basic process of combining and integrating human, physical and financial resources in productive interrelationships for the achievement of enterprise objectives. It aims at combining employees and interrelated tasks in an orderly manner so that organizational work is performed in a coordinated manner, and all efforts and activities pull together in the direction of organizational goals.

3. Staffing

Staffing is a continuous and vital process of management. After the objectives have been determined, strategies, policies, programmes, procedures and rules formulated for their achievement, activities for the implementation of strategies, policies, programmes, etc. identified and grouped into jobs, the next logical step in the management process is to procure suitable personnel for manning the jobs. Since the efficiency and effectiveness of an organization significantly depends on the quality of its personnel and since it is one of the primary functions of management to achieve qualified and trained people to fill various positions, staffing has been recognized as a distinct function of management. It comprises several sub-functions:

- (a) Manpower planning involving determination of the number and the kind of personnel required.
- (b) Recruitment for attracting adequate number of potential employees to seek jobs in the enterprise.
- (c) Selection of the most suitable persons for the jobs under consideration.
- (d) Placement, induction and orientation.
- (e) Transfers, promotions, termination and layoff.
- (f) Training and development of employees.

As the importance of human factor in organizational effectiveness is being increasingly recognized, staffing is gaining acceptance as a distinct function of management. It need hardly

any emphasize that no organization can ever be better than its people, and managers must perform the staffing function with as much concern as any other function.

4. Directing

Directing is the function of leading the employees to perform efficiently, and contribute their optimum to the achievement of organizational objectives. Jobs assigned to subordinates have to be explained and clarified, they have to be provided guidance in job performance and they are to be motivated to contribute their optimum performance with zeal and enthusiasm. The function of directing thus involves the following sub-functions:

- (a) Communication
- (b) Motivation
- (c) Leadership

Once objectives have been developed and the organizational structure has been designed and staffed, the next step is to begin to move the organization toward the objectives. The directing function serves this purpose. It involves directing, influencing and motivating employees to perform essential tasks.

The best human resources employed will be of house if they are not motivated and directed in the right direction to achieve the organizational goals. Managers lead is an attempt to persuade others to join them in pursuit of the future that emerges from the planning, and organizing steps. By establishing the proper atmosphere, managers help their employees to do their best.

Effective leadership is a highly prized ability in organizations and is a skill that some managers have difficulty in developing. The ability requires both task-oriented capabilities and the ability to communicate, understand and motivate people.

5. Coordinating

Coordinating is the function of establishing such relationships among various parts of the organization that they all together pull in the direction of organizational objectives. It is thus the process of tying together all the organizational decisions, operations, activities and efforts so as to achieve unity of action for the accomplishment of organizational objectives.

The significance of the coordinating process has been aptly highlighted by Mary Parker Follet. The manager, in her view, should ensure that he has an organization "with all its parts

coordinated, so moving together in their closely knit and adjusting activities, so linking, interlocking and interrelation, that they make a working unit that is not a congeries of separate pieces, but what I have called a functional whole or integrative unity". Coordination, as a management function, involves the following sub-functions:

- (a) Clear definition of authority-responsibility relationships
- (b) Unity of direction
- (c) Unity of command
- (d) Effective communication
- (e) Effective leadership

6. Controlling

Finally, the manager must be sure that actions of the organizations members do in fact move the organization towards its stated goals. This is the controlling function of management. The controlling is the process of ensuring that actual activities confirm to plan activities. It involves four main elements:

- a. Establishing standards of performance
- b. Measuring current performance
- c. Comparing this performance to the established standards.
- d. Taking correction actions if deviations are detected.

Controlling implies that objectives, goals and standards of performance exist and are known to employees and their superiors. It also implies a flexible and dynamic organization which will permit changes in objectives, plans, programmes, strategies, policies, organizational design, staffing policies and practices, leadership style, communication system, etc., for it is not uncommon that employees failure to achieve predetermined standards is due to defects or shortcomings in any one or more of the above dimensions of management.

It may be pointed out that although management functions have been discussed in a particular sequence-planning, organizing, staffing, directing, coordinating and controlling – they are not performed in a sequential order. Management is an integral process and it is difficult to put its functions neatly in separate boxes. Management functions tend to coalesce, and it sometimes becomes difficult to separate one from the other. For example, when a

production manager is discussing work problems with one of his subordinates, it is difficult to say whether he is guiding, developing or communicating, or doing all these things simultaneously. Moreover, managers often perform more than one function simultaneously.

Through the controlling function, managers keep the organization on track. Without the controlling functions, other functions lose their relevance. If all the activities are properly planned, organized and directed but there is no control on the activities then there are full chances that the organization does not achieve its planned goals. Controlling function helps us knowing the deviations but the reasons for such deviations and the corrective actions to be taken depends on the managers. Hence, the personal ability of the managers makes the controlling function effective or ineffective.

2.3 PRINCIPLES OF MANAGEMENT

A body of principles of management has been developed by Henri Fayol, the father of modern management. Fayol wrote perceptibly on the basis of his practical experience as a manager. Although, he did not develop an integrated theory of management, his principles are surprisingly in tune with contemporary thinking in management theory.

Fayol held that there is a single "administrative science", whose principles can be used in all management situations no matter what kind of organization was being managed. This earned him the title of "Universality". He, however, emphasized that his principles were not immutable laws but rules of thumb to be used as occasion demanded.

Fayol held that activities of an industrial enterprise can be grouped in six categories: (i) technical (production), (ii) commercial (buying, selling and exchange), (iii) financial (search for and optimum use of capital), (iv) security (protection of property and persons), (v) accounting (including statistics); and (vi) managerial. However, he devoted most of his attention to managerial activity. He developed the following 14 principles underlying management of all kinds of organizations:

1. Authority and Responsibility are Related: Fayol held that authority flows from responsibility. Managers who exercise authority over others should assume responsibility for decisions as well as for results. He regarded authority as a corollary to responsibility. Authority is official as well as personal. Official authority is derived from the manager's position in organizational hierarchy and personal authority is compounded of intelligence, experience, moral worth, past services, etc.

A corollary of the principle that no manager should be given authority unless he assumes responsibility is that those who have responsibility should also have commensurate authority in order to enable them to initiate action on others and command resources required for the performance of their functions. This aspect of relationship between responsibility and authority is particularly relevant in India where authority tends to be concentrated in higher echelons of management.

2. **Unity of Command:** This principle holds that one employee should have only one boss and receive instructions from him only. Fayol observed that if this principle is violated authority will be undermined, discipline will be jeopardy, order will be disturbed and stability will be threatened. Dual command is a permanent source of conflict. Therefore, in every organization, each subordinate should have one superior whose command he has to obey.
3. **Unity of Direction:** This means that all managerial and operational activities which relate a distinct group with the same objective should be directed by "one head and one plan. According to Fayol, there should be, "one head and one plan for a group of activities having the same objective". It, however, does not mean that all decisions should be made at the top. It only means that all related activities should be directed by one person. For example, all marketing activities like product strategy and policy, advertising and sales promotion, distribution channel policy, product pricing policy, marketing research, etc., should be under the control of one manager and directed by an integrated plan. This is essential for the "unity of action, coordination of strength and focusing of effort". Violation of this principle will cause fragmentation of action and effort, and wastage of resources.
4. **Scalar Chain of Command:** According to Fayol scalar chain is the chain of superiors ranging from the ultimate authority to the lowest ranks. The line of authority is the route followed via every link in the chain by all communication which start from or go to the ultimate authority.
5. **Division of Work:** This is the principle of specialization which, according to Fayol, applies to all kinds of work, managerial as well as technical. It helps a person to acquire an ability and accuracy with which he can do more and better work with the same effort. Therefore, the work of every person in the organization should be limited as far as possible to the performance of a single leading function.

6. **Discipline:** Discipline is a sine qua non for the proper functioning of an organization. Members of an organization are required to perform their functions and conduct themselves in relation to others according to rules, norms and customs. According to Fayol, discipline can best be maintained by: (i) having good superiors at all levels; (ii) agreements (made either with the individual employees or with a union as the case may be) that are as clear and fair as possible; and (iii) penalties judiciously imposed.

7. **Subordination of Individual Interest to General Interest:** The interest of the organization is above the interests of the individual and the group. It can be achieved only when managers in high positions in the organization set an example of honesty, integrity, fairness and justice. It will involve an attitude and a spirit of sacrificing their own personal interests whenever it becomes apparent that such personal interests are in conflict with organizational interests. It may, however, be emphasized that social and national interests should have precedence over organizational interests whenever the two run counter to each other.

8. **Remuneration:** Employees should be paid fairly and equitably. Differentials in remuneration should be based on job differentials, in terms of qualities of the employee, application, responsibility, working conditions and difficulty of the job. It should also take into account factors like cost of living, general economic conditions, demand for labour and economic state of the business.

9. **Centralisation:** Fayol believed in centralisation. He, however, did not contemplate concentration of all decision making authority in the top management. He, however, held that centralisation and decentralisation is a question of proportion. In a small firm with a limited number of employees, the owner-manager can give orders directly to everyone. In large organizations, however, where the worker is separated from the chief executive through a long scalar chain, the decision making authority has to be distributed among various managers in varying degrees. Here one generally comes across a situation of decentralisation with centralised control. The degree of centralisation and decentralisation also depends on the quality of managers.

10. **Order:** Order, in the conception of Fayol, means right person on the right job and everything in its proper place. This kind of order, depends on precise knowledge of human requirements and resources of the concern and a constant balance between these requirements and resources.

11. **Equity:** It means that subordinates should be treated with justice and kindness. This is essential for eliciting their devotion and loyalty to the enterprise. It is, therefore the duty of the chief executive to instill a sense of equity throughout all levels of scalar chain.

12. **Stability of Tenure of Personnel:** The managerial policies should provide a sense of reasonable job security. The hiring and firing of personnel should depend not on the whims of the superiors but on the well-conceived personnel policies. He points out that it takes time for an employee to learn his job; if they quit or are discharged within a short time, the learning time has been wasted. At the same time those found unsuitable should be removed and those who are found to be competent should be promoted. However, "a mediocre manager who stays is infinitely preferable to outstanding managers who come and go".

13. **Initiative:** It focuses on the ability, attitude and resourcefulness to act without prompting from others. Managers must create an environment which encourages their subordinates to take initiative and responsibility. Since it provides a sense of great satisfaction to intelligent employees, managers should sacrifice their personal vanity in order to encourage their subordinates to show initiative. It should, however, be limited, according to Fayol, by respect for authority and discipline.

14. **Esprit de Corps:** Cohesiveness and team spirit should be encouraged among employees. It is one of the chief characteristics of organized activity that a number of people work together in close cooperation for the achievement of common goals. An environment should be created in the organization which will induce people to contribute to each other's efforts in such a way that the combined effort of all together promotes the achievement of the overall objectives of enterprise. Fayol warns against two enemies of esprit de corps, viz. (i) divide and rule, and (ii) abuse of written communication. It may work to the benefit of the enterprise to divide its enemy but it will surely be dangerous to divide one's own workers. They should rather be welded in cohesive and highly interacting work-groups. Overreliance on written communication also tends to disrupt team spirit. Written communication, where necessary, should always be supplemented by oral communication because face-to-face contacts tend to promote speed, clarity and harmony.

The other important principles of management as developed by pioneer thinkers on the subject are:

- (a) Separation of planning and execution of business operations.
- (b) Scientific approach to business problems.
- (c) Adoption of technological changes.
- (d) Economizing production costs and avoiding the wastage of resources.
- (e) Fuller utilization of the operational capacity and emphasis on higher productivity.
- (f) Standardisation of tools, machines, materials, methods, timings and products.
- (g) Evaluation of results according to criteria of standard levels of performance.
- (h) Understanding and co-operation among the members of the organization set-up.

2.4 THEORIES OF MANAGEMENT

Management as an activity is as old as the society itself but its importance as an academic discipline grew only with industrialization and mass production in the later part of 19th century and early part of 20th century. This rapid industrialization resulted into organization and its management which was far more complex than routine business activity hitherto practiced. This resulted into an in depth study and comprehensive research into various aspects of management. The major focus of research in early part of development was on efficiency and economy and to develop management as a science. Hence, a number of theories emerged to achieve these objectives. In this unit we will be discussing major theories and development in evolution of management thought.

Major Theories of management can be enumerated as under:

- Scientific Management Theory
- Classical Theory
- Human Relations Theory
- Behavioral Theories
- Systems Theory

- Contingency Theory

1. Scientific Management Theory

Scientific Management propounded by Fredrick Winslow Taylor in the first decade of 20th century is the first coherent theory of administration. Though before Taylor many management thinkers like Charles Babbage, Henry Towne and Henry Metcalf developed and used scientific management methods and techniques, it was Taylor who used the term to give a complete and systematic explanation of scientific methods and techniques for promoting the organizational efficiency and economy. Hence, he is regarded as the Father of Scientific Management.

As discussed above the basic concerns of industrial society were to improve efficiency, to reduce the cost of production and to increase the profits. For achieving these objectives the focus was on improving technology and the techniques of work along with efficient management of workers. Taylor observed that the existing management system had in any drawbacks like it generally followed rule of thumb, there was no standardization of work and output, lack of planning for effective execution and also there was no cooperation between management and workers. Taylor sought to remove such drawbacks with the help of scientific management.

Principles of Scientific Management

Taylor gave four principles of scientific management. According to Taylor these principles together constitute what can be called as scientific management. They are:

1. The Development of a True Science of Work: Taylor replaced the old rule of thumb method by one best way of doing a task. This one best way of doing a task was found by systematic study of the job and developing a scientific method for doing the job. This also enables to have a standard output to be done by workers and thereby reducing tension between workers and management on the level of output.

2. Scientific Selection and Progressive Development of Workmen: For effective performance of the scientific management the workers are selected on scientific basis so that there is a match in their capabilities and the job being performed. Scientific selection involves selecting a right person for a right job. After the scientific selection the workers must be

systematically trained. Also there should be enough opportunities for workers advancement in the job to fullest realization their capabilities.

3. Bringing together the Science of Work and Scientifically Selected Workers: The third principle of the scientific management is bringing of science of work and scientifically selected and trained workmen together. Taylor felt that it is the exclusive responsibility of the management.

4. Division of Work and Responsibility between Worker and Management: Taylor emphasized on equal division of work and responsibility between worker and management as traditionally the worker had more responsibility than the management. Taylor said that the scientific management should be characterized by harmony between management and workers rather than discord.

Taylor developed some techniques and mechanisms to serve and facilitate scientific management. These are:

1. **Mental Revolution:** The essence of scientific management, according to Taylor, is complete mental revolution on the part of workers towards their duties, work, fellow co-workers and their supervisors; and on the part of managers, towards their employees and problems. Taylor held the view that without this complete mental revolution on both the sides scientific management is not possible. Taylor argued that instead of focusing more on the division of surplus they should together turn their attention towards increasing the size of the surplus until the surplus become so large that it becomes unnecessary to quarrel over how it should be divided. Both the sides should work together in the same direction to increase the surplus. Taylor believed that there is no conflict in the interest of employees, workers and consumers. His major concern was that the results of higher productivity should equally benefit the employee worker and consumer.

2. **Functional Foremanship:** Taylor was not in favor of linear system of organization in which each worker is guided by only one boss. Instead he advocated the concept of functional foremanship under which a worker is supervised and guided by eight functional foremen. Hence, in the functional foremanship the worker receives orders from eight different specialized supervisors. Out of the eight functional supervisors, four functional foreman, (route clerk, the instruction clerk, the time and cost clerk and the shop disciplinarian) will look after

planning aspects and the remaining four (the gang boss, the repair boss, the speed boss and the inspector) will look after the execution of work. Thus, it will facilitate specialization as well as separation of planning from execution.

3. **Motion Study:** Motion study helps in standardization of work methods. It observes all the motions which comprise a particular job and then determine the best set of motions. It helps to determine a preferable work method. In other words, it is meant for finding out the one best way to do a work.

4. **Time Study:** Once the motion study finds out one best way of doing a job, time study comes into picture to determine the standard time for completion of work with the help of a stop watch.

5. **Differential Piece Rate Plan:** Taylor observed that under present management system worker gained nothing if he worked hard. To overcome this problem and improve the efficiency Taylor suggested a new wage payment system in which the wages are paid depending upon the number of pieces made by a worker on the basis of standards set by motion and time studies. This was known as the differential piece rate plan. Under this plan, workers are paid a low piece rate up to the standard fixed, a large bonus on achieving the standard and a higher piece rate above the standard output. Taylor said that the piece rate plan by virtue of being direct and quick is more effective than the profit sharing plan in motivating the workers which is normally at the end of the year. But he was also of the opinion that a worker who (after scientific selection, training and development) is unable or unwilling to produce the standard should be removed.

6. **Some Other Techniques:** In addition to the above techniques Taylor also developed some more techniques which further helped towards scientific management. These are as follows:

- (i) The standardization of all tools according to the needs of specific jobs.
- (ii) Separation of planning from execution.,
- (iii) The setting up of a separate planning cell or department
- (iv) The mnemonic system for classifying products as implements used in manufacturing.

- (v) The use of time saving implements like slide rules.
- (vi) Modem cost system.
- (i) A routing system.
- (viii) Instruction cards for the workers.

2. Classical Theory

The classical theory was developed during the first half of the 20th century somewhat parallel to the scientific management ideology of thought and is also known as the Administrative Management Theory or Management Process School. It is called as classical theory because it is one of the earliest formulations based on systematic analysis of organization.

The scholars of this theory believed that a science of administration can be developed based on some principles and based on the experience of administrators. These principles according to them are universally valid. They also held the view that these principles are based on rigorous empirical observation and hence are scientifically valid. They were opined that the application of such principles would lead to greater economy and efficiency in the organization. Thus, the administration, which was considered hitherto an art developed partly into a science through the efforts of classical thinkers. Classical thinkers also gave great importance to the structure of the organization. According to them structure is basic for any group effort. They consider that without structure, organization cannot function. Since they have emphasized on the structure they are also known as structuralist.

The major proponents of this ideology are follows:

1. Henry Fayol
2. Luther Gullick and Lyndall Urwick
3. James D. Mooney and Alan C. Reiley
4. Mary Parker Follet.

Contribution of H. Fayol and Luther Gullick and L. Urwick is discussed here in detail.

Henri Fayol, who is considered as founder of Management Process School, was a contemporary of Taylor. He has contributed greatly to the management concepts and practices

along with Taylor. While Taylor focused on shop floor management and had a bottom-up approach, Fayol focused on the organization as a whole and had a top down approach. Fayol regarded management as universal process applicable to all kinds of organizations and at all levels. The contribution made by Fayol can be understood under following heads:

Six Activities

Fayol classified the work of an industrial enterprise along the functional lines and divided all the activities into following six groups:

- 1. Technical activities:** concerning production
- 2. Commercial activities:** of buying and selling and exchange.
- 3. Financial activities:** means the optimum use of available capital.
- 4. Clerical activities:** accounting activities pertaining to preparation of final accounts etc.
- 5. Security activities:** relating to protection of property and persons.
- 6. Managerial activities.**

Five Functions of Management

According to Fayol, management activity consists of five functions. These are:

- 1. Planning:** Examining the future and drawing up the plan of action accordingly.
- 2. Organizing:** Establishing the structure, building up and maintaining material and human resource of the organization.
- 3. Commanding:** guiding and maintaining activity among the personnel.
- 4. Coordinating:** Binding together, unifying and harmonizing all activities and efforts so that they work towards the same goal.
- 5. Controlling:** Seeing that everything occurs according to established rules.

These five functions are represented in acronym POCCC, which stands for Planning, Organizing, Commanding, Coordinating and controlling respectively.

Principles of Management

Fayol developed fourteen principles of management which he said are universal in nature. These principles are already explained in this unit.

3. Human Relations Theory

The limitations of the classical theory instigated further enquiries and researches in organizational theory and behavior. The result of such subsequent researches was the human relations theory of organization. The Human Relations Theory of organization came into existence in 1930s as a reaction to the classical approach to organizational analysis. The classical thinkers neglected the human dimension and role of human element in the organization. They had a mechanistic view of the organization and did not give due importance to sociological and psychological aspects of individuals behavior in the organization. It is this critical failure on the part of the classical approach which gave rise to the human relations approach. Human relations theory is also known as Humanistic Theory and Socio-Economic Theory. But the human relations theory has not rejected the classical theory totally rather they found out critical gap in the theory and tried to fill those gaps. However, it has rejected the two concepts advocated by the classical theory, viz. the concept of economic man and formal institutionalization. The human relation theorists, like the classical thinkers have accepted efficiency and productivity as the main values of the organization as well as the role of management in production. Therefore, this theory is also known as Neo-classical Theory.

Elton Mayo is regarded as the father of human relations theory. He concentrated on the study of workers behavior and the production capacity, taking into consideration the physiological, physical, economic, social and psychological aspects.

Hawthorne Studies (1924-1932)

The Hawthorne studies formed the basis for the rise of human relations theory. These studies were conducted in the Western Electric Company at Hawthorne (Near Chicago-USA) by the Harvard Business School under the leadership of Elton Mayo. The studies were conducted in the following four phases:

- (i) **The Great Illumination Experiment (1924-27):** This was conducted to check the effect of illumination of light on workers' productivity. This experiment negated the

assumption that better lighting leads to better work and output. It concluded that physical factors at work e.g. lighting does not result in better production beyond a certain limit.

- (ii) **Relay Assembly Test Room Experiment (1927):** It was conducted to observe the effects of various changes in working conditions on the workers output and morale.
- (iii) **Mass Interviewing Program(1928-31):** During the experiment more than 20,000 interviews were conducted to determine employees attitude towards their company, their supervisor and company's policies. It was also called as ventilation therapy as human sentiments were explored by talking to them.
- (iv) **Bank Wiring Experiment (1931 -32):** It examined the informal groups and their influence on each members output.

The salient features of the Hawthorne Studies are:

- (i) The theory highlighted the importance of the social and psychological factors at the workplace in determining the employee's morale and output. This is the most important finding.
- (ii) The theory showed that organization is a social system. The workers are not isolated or unrelated individuals. They are a social being.
- (iii) Monetary rewards are not the only or most important motivators. Non-economic rewards and sanctions significantly affect the workers behavior, morale and output.
- (iv) The workers form small social groups (informal organizations) within the organization. The production norms and behavioral patterns are decided by such groups as workers react as members of such groups and not as individually.
- (v) The informal leadership is stronger than formal leadership.
- (vi) The role of manager in organization should be to integrate the informal organization with the formal organization.
- (vii) Leadership, style of supervision, communication and participation play a very important role in workers behavior, satisfaction and productivity.

Thus, human relations theory highlighted the effect of informal work group on workers' motivation, satisfaction and productivity. Mayo remarked that man's social situation in his work group ranked first and the work was incidental. The findings of Hawthorne Studies revolutionized the organizational thought and gave rise to the human relations theory.

4. Behavioral Theory

Behaviouralism in administrative studies is said to have started with the Human Relations Movement of the 1930. Many thinkers and experts of management believe that the human relations researches were the first behavioral researches in organizational analysis. In fact the behavioral approach is an improvised, more systematic and more sophisticated version of the human relations approach to organization. Behavioral Theory is also known as Socio-psychological approach and new human relations approach.

Behavioral approach is concerned with the scientific study of human behavior in organizations with the application of techniques and theories of sociology, psychology, social psychology and anthropology to understand organizational behavior in a scientific manner. Thus, the main aim of behavioral approach is scientific study of organizational behavior. The behavioral theorists believe that workers are more complex than the economic man description of the classical approach and the social man description of the human relations approach.

Behaviorists have enriched management theory particularly in the field of motivation, communication, group dynamics and leadership. The major contributors to the behavioral approach are M.P.Follett, Chester Barnard, Herbert Simon and Douglas McGregor.

The behavioral approach to the study of Management has the following features.

- (i) It is concerned with the actual behavior of people in the organization. Therefore, it is descriptive and analytical rather than prescriptive.
- (ii) It studies and investigates the behavior of people in the organization objectively for developing universal laws.
- (iii) It emphasizes the informal relations and communications patterns among the people working in an organization.

- (iv) It pays more attention to the dynamics of organizational behavior that is motivation, leadership, decision-making, power, authority, and so on.
- (v) It advocates scientific methods like fields study, laboratory study, and so on.
- (vi) It is interdisciplinary in nature. Hence, it draws concepts, techniques, data and perspectives from other social sciences like sociology, psychology, anthropology and so on.

5. Systems Theory

The earlier theories could not claim to be complete as they lacked certain propositions so they were complimentary to each other. A need emerged for convergence of all the theories and hence during the last few decades, The Systems Approach emerged. This approach can serve as a basis for the convergence of all the earlier theories.

Webster defined a system as, “A set or arrangement of things so related or connected as to form a unity or organic whole”. According to the General Systems Theory a system is defined as an “Organized unitary whole composed of two or more interdependent parts or components or substances and delineated by identifiable boundaries from its environment”. Thus, a system is a complex whole having a number of parts, resembling a biological cell. These parts called as sub systems are interrelated and interdependent for their functioning. They, in turn, contribute to the functioning of the system as a whole. The system has a defined boundary through which it interacts with its environment. This external environment of a system is called a supra-system.

A system consists of five basic parts, viz. input, process, output, feedback and environment. A system receives inputs from the environment and sends outputs into the environment after the transformation. Further, a system also adjusts itself continuously to the requirements or changes in the environment. This is facilitated by the feedback mechanism. Thus, there is a balance between the system and its environment.

Systems are of two types — open systems and closed systems. Open systems are those who have permeable boundaries i.e. they interact with their environment constantly. And also not only they affect their environment but also get affected by it. Close system on the other

hand has impermeable boundary therefore, there is no interaction between the environment and the system. Closed systems are non responsive to the changes in the environment.

Social and biological systems are open systems, while mechanical and physical systems are closed systems. A business organization or any human organization is a social system. The business organizations are also a system having specialized subsystems that perform certain specialized functions. These sub- systems are interdependent and interrelated in such a manner that the output of one of the subsystems forms the input of the other subsystems. This system, hence accepts inputs from its environment, which mostly is an output of another system in the environment. The sub-systems of the system then transform this input into a desirable shape and quantity, and this entire process of transformation is called as “Throughput”.

The transformed content are then transported back to the environment and is known as the output of the system. The various systems within the supra-system are interconnected through a set of backward- forward linkages. The control and maintenance sub-systems of the organization provide a constant feedback to the system and hence the system keeps on correcting its course of functioning. Therefore, modern theorists view an organization as an adaptive system which must, if it is to survive, adjust to changes in its environment. The organization and its environment are hence seen as interdependent, where each is dependent on the other for its resources.

The systems school of thought had some unique features which earlier model had not given importance. For example, the environmental factors were not given importance by the earlier models. Systems school highlighted that it is the environment that plays a decisive role in deciding between the winner and the loser, when both the persons are of equal competence. It was hence, for the first time that the internal organization of an organization was effectively linked with the external environment. The system model also threw a new light on the control system of the organization by assigning it the role of providing automatic feedback to the organization and hence constantly correcting the course of the organization.

6. Contingency Theory

The contingency theory originated in the 1960s as an improvement over systems theory. It covered those aspects where system school lacked. Systems school has certain lacuna like it did not adequately spell out the precise relationship between the organization and its

environment. The contingency school tries to fill this lacuna. The contingency school focuses on applying management principles and processes as dictated by the unique characteristics of each situation. It emphasizes that there is no one best way to manage and that it depends on various situational factors, such as the external environment, technology, organizational characteristics, characteristics of the manager and characteristics of the subordinates. It has been applied primarily to management issues such as organizational design, job design, motivation, and leadership style.

Contingency approach focuses on the determinants of the organizational structure and behavior. It provides a more detail understanding of relationship among various organizational variables. This approach strongly asserts that there is no universal prescribed action or organizational design which is appropriate for all the situations. Instead, the design, managerial action and decisions depend on the situation. The approach hence suggested that as the organization interacts with the environment; neither the organization nor any of its constituents is forced to take absolute actions. Rather, it has to take action subject to various social, legal, political, technical and economic factors.

The contingency approach is thus an extension of the systems view of the organization as it is action-oriented and directed towards the application and implementation of the systems approach. The biggest advantage of this theory therefore, is that it offers flexibility and provides a link between theory and practice.

2.5 SUMMARY

In every field of study, first there are basic principles which are practiced later in the forms of certain functions but management is a field where principles are exclusively based on practical experiences. The above named functions of management which have been discussed in this lesson are the backbone of management philosophy. These functions are interrelated as well and we need to perform them in sequenced order for getting the organizational objectives accomplished. But today's environment of business is a perfect blend of all these typical functions. Thus, every function is exercisable according to the situations and perception of managers.

Successful leaders and managers are very energetic. They exert a great deal of effort in order to communicate effectively, solve problems, make decisions, set goals, plan, execute

plans, and supervise/ evaluate. These are a leader's directional (or thinking) and implementing skills. As a leader, you cannot expect positive results from your subordinates unless you work equally hard at solving problems, making plans, and putting plans and decisions into action. Successful leaders also work hard at accomplishing their missions and objectives while maintaining only the highest possible standards of performance. Therefore, you being student of management should strive to exercise the same degree of effort and excellence.

2.6 GLOSSARY

Planning: It is the process of establishing goals and a suitable course of action for achieving those goals.

Controlling: The controlling is the process of ensuring that actual activities confirm to plan activities.

Division of Labor: This refers to division of tasks of an organization into subtasks and then allots these subtasks or subparts to individuals.

Structure: Structure is the logical relationship of functions in an organization arranged in order to accomplish the objectives.

Unity of Command: It means that each employee has one and only one boss.

2.7 CHECK YOUR PROGRESS

A. Fill in the blanks:

- a. Planning is the process of establishing goals and a _____ course of action for achieving those goals.
- b. The purpose of the organizing function is to create a structure of _____ and authority relationships that serves this purpose.
- c. Directing is the function of leading the employees to perform efficiently, and contribute their _____ to the achievement of organizational objectives.
- d. The controlling is the process of ensuring that actual activities confirm to _____ activities.

B. State whether the following statements are True or False:

- a. The interest of the organization is above the interests of the individual and the group.
- b. Equity means that employers should be treated with justice and kindness.
- c. Motion study helps in standardization of time methods

d. The main aim of behavioral approach is scientific study of organizational behavior.

2.8 ANSWERS TO CHECK YOUR PROGRESS

A. a. Suitable b. Task c. Optimum d. Plan
B. a. True b. False c. False d. True

2.9 TERMINAL QUESTIONS

1. What is management? Describe the various functions of management.
2. Describe the various principles of management.
3. Define management. What are the various principles (views/ideologies) of management.
4. Describe scientific management theory.
5. Describe human relations theory.
6. Establish the difference between systems and behavioural theory of management.

2.10 REFERENCES

7. Kootnz & O'Donnell, Principles of Management.
8. J.S. Chandan, Management Concepts and Strategies.
9. Arun Kumar and R. Sharma, Principles of Business Management.
10. Sherlerkar and Sherlerkar, Principles of Management
11. Tripathi and Reddy, Principles of Management
12. Kimball and Kimball, Principles of Industrial Organisation

UNIT-3 PLANNING - ITS NATURE AND PROCESS

STRUCTURE

- 3.1 Introduction
- 3.2 The Concept of Planning
- 3.3 Myths about Planning
- 3.4 Nature and Scope of Planning
- 3.5 Importance of Planning
- 3.6 Advantages and Limitations of Planning
- 3.7 Measures to Overcome Limitations of Planning
- 3.8 Basic Principles of Planning
- 3.9 Categories and Levels of Planning
- 3.10 Process of Planning or Essential Steps in Planning
- 3.11 Summary
- 3.12 Glossary
- 3.13 Check Your Progress
- 3.14 Answers to Check Your Progress
- 3.15 Terminal Questions
- 3.16 References

OBJECTIVES

After studying this unit, you should able to:

- Define the meaning of planning.
- Explain the nature and scope of planning.
- Describe ways to mitigate the limitation of planning.
- Describe the essential steps of planning.

3.1 INTRODUCTION

Planning pervades management not only at organization but also at each household. Thinking is used for optimization of all our day to day activities be it brth day party or attending an interview etc. Planning could be either micro or macro i.e., at company level or at country level. Now a days, lot of emphasis is laid on decentralized planning or micro planning instead of macro planning. Planning is very important management function, it involves the major activities such as setting objectives, determining policies and making decisions.

3.2 THE CONCEPT OF PLANNING

Planning is the most fundamental function of management. An organization can succeed in effective utilization of its human financial and material resources only when its management decides in advance its objectives, and methods of achieving them. Without it purposive and coordinated effort is not possible, and what results are chaos, confusion and wastage of resources. Planning involves determination of objectives of the business, formation of programmes and courses of action for their attainment, development of schedules and timings of action and assignment of responsibilities for their implementation. Planning thus precedes all efforts and action, as it is the plans and programmes that determine the kind of decisions and activities required for the attainment of the desired goals. It lies at the basis of all other managerial functions including organizing, staffing, directing and controlling. In the absence of planning, it will be impossible to decide what activities are required, how they should be combined into jobs and departments, who will be responsible for what kind of decisions and actions, and how various decisions and activities are to be coordinated. And, in the absence of organizing involving the above managerial activities, staffing cannot proceed, and directing cannot be exercised. Planning is also an essential prerequisite for the performance of control function, as it provides criteria for evaluating performance. Planning thus precedes all managerial functions.

Planning is the process of deciding in advance what is to be done, who is to do it, how it is to be done and when it is to be done. It is the process of determining a course of action, so as to achieve the desired results. It helps to bridge the gap from where we are, to where we want to go. It makes it possible for things to occur which would not otherwise happen. Planning is a higher order mental process requiring the use of intellectual faculties, imagination, foresight and sound judgment. According to Koontz, O'Donnell and Weihrich, "Planning is an

intellectually demanding process; it requires the conscious determination of courses of action and the basing of decisions on purpose, knowledge and considered estimates".

Planning is a process which involves anticipation of future course of events and deciding the best course of action. It is a process of thinking before doing. To plan is to produce a scheme for future action; to bring about specified results, at specified cost, in a specified period of time. It is deliberate attempt to influence, exploit, bring about, and control the nature, direction, extent, speed and effects of change. It may even attempt deliberately to create change, remembering always that change (like decision) in any one sector will in the same way affect other sectors. Planning is a deliberate and conscious effort done to formulate the design and orderly sequence actions through which it is expected to reach the objectives. Planning is a systematic attempt to decide a particular course of action for the future, it leads to determination of objectives of the group activity and the steps necessary to achieve them. Thus, it can be said that planning is the selecting and relating of facts and the making and using of assumptions regarding the future in the visualization and formulation of proposed activities believed necessary to achieve desired results.

Planning is thus deciding in advance the future state of business of an enterprise, and the means of attaining it. Its elements are:

1. What will be done – what are the objectives of business in the short and in the long run?
2. What resources will be required – This involves estimation of the available and potential resources, estimation of resources required for the achievement of objectives, and filling the gap between the two, if any.
3. How it will be done – This involves two things: (i) determination of tasks, activities, projects, programmes, etc., required for the attainment of objectives, and (ii) formulation of strategies, policies, procedures, methods, standard and budgets for the above purpose.
4. Who will do it – It involves assignment of responsibilities to various managers relating to contributions they are expected to make for the attainment of enterprise objectives. This is preceded by the breaking down of the total enterprise objectives into segmental objectives, resulting into divisional, departmental, sectional and individual objectives.

5. When it will be done – It involves determination of the timing and sequence, if any, for the performance of various activities and execution of various projects and their parts.

3.3 MYTHS ABOUT PLANNING

There are certain commonly prevalent myths and fallacies about planning. An attempt is being made to highlight some of the important concepts of planning by way of its distinguishing features, so as to clarify the misconceptions:

(i) **Planning does no attempt to make future decisions:** Planning to choose of the more desirable future alternatives open to a company, is the process so that better decisions may be made. Planning provides a frame of reference within which the present decisions are to be made. At the same time, a plan often leads to additional but related decisions. For example, a college plan to introduce a new degree or diploma, necessitates the need for decisions like what should be the duration of the course leading to the degree or diploma, together with detailed curricula in the specific courses to be included, the system of evaluation of examination, and the necessary practical training, if any, etc.

(ii) **Planning is not just forecasting or making projections:** Forecasts are mere estimates of the future, and indicate what may or may not happen. However, corporate planning goes beyond these forecasts and asks questions like:

- (a) Are we in right business?
- (b) What are our basic goals and objectives?
- (c) When shall our present products become obsolete?
- (d) Are our markets expanding or shrinking?
- (e) Do we want to merge or go for takeover?

(iii) **Planning is not a static process:** Indeed, plans are obsolete as soon as they are executed, because the environment assumed in their preparation may have already changed. Planning is a continuous process. It involves continuous analysis and adjustments of the plans and even objectives in the context of changing circumstances.

3.4 NATURE OF PLANNING

The nature of planning can be understood by focusing on its following aspects:

- 1. Planning is a Continuous Process:** Planning deals with the future, and future, by its very nature, is uncertain. Although the planner bases his plans on an informed and intelligent estimate of the future, the future events may not turn out to be exactly as predicted. This aspect of planning makes it a continuous process. Plans tend to be a statement of future intentions relating to objectives and means of their attainment. They do not acquire finality because revisions are needed to be made in them in response to changes taking place in the internal as well as external environment of enterprise. Planning should, therefore, be a continuous process and hence no plan is final, it is always subject to a revision.
- 2. Planning concerns all Managers:** It is the responsibility of every manager to set his goals and operating plans. In doing so, he formulates his goals and plans within the framework of the goals and plans of his superior. Thus, planning is not the responsibility of the top management or the staff of planning department only; all those who are responsible for the achievement of results, have an obligation to plan into the future. However, managers at higher levels, being responsible for a relatively larger unit of the enterprise, devote a larger part of their time to planning, and the time span of their plans also tends to be longer than that of managers at lower levels. It shows that planning acquires greater importance and tends to the longer in the future at higher than at lower management levels.
- 3. Plans are arranged in a Hierarchy:** Plans are first set for the entire organization called the corporate plan. The corporate plan provides the framework for the formulation of divisional departmental and sectional goals. Each of these organizational components sets its plans laying down the programmes, projects, budgets, resource requirements, etc. The plans of each lower component are aggregated into the plans of successively higher component until the corporate plan integrates all component plans into a composite whole. For example, in the production department, each shop superintendent sets his plans, which are successively integrated into the general foremen's, works manager's and production manager's plans. All departmental plans are then integrated in the corporate plan. Thus, there is a hierarchy of plans comprising the corporate plan, divisional/department plans, sectional plans and individual manager's unit plans.
- 4. Planning Commits an Organization into the Future:** Planning commits an organization into the future, as past, present and future is tied in a chain. An organization's objectives, strategies, policies and operating plans affect its future effectiveness, as decisions

made and activities undertaken in the present continue to have their impact into the future. Some of the plans affect the near future, while others affect it in the long run. For example, plans for product diversification or production capacity affect a company long into the future, and are not easily reversible, whereas plans relating to the layout of its office locations can be changed with relatively less difficulty in the future. This focuses on the need for better and more careful planning.

5. Planning is Antithesis of Status Quo: Planning is undertaken with the conscious purpose of attaining a position for the company that would not be accomplished otherwise. Planning, therefore, implies change in organizational objectives, policies, products, marketing strategies and so forth. However, planning itself is affected by unforeseen environmental changes. It, therefore, needs examination and re-examination, continual reconsideration of the future, constant searching for more effective methods and improved results.

Planning is thus an all pervasive, continuous and dynamic process. It imposes on all executives a responsibility to estimate and anticipate the future, prepare the organization to cope with its challenges as well as take advantage of the opportunities created by it, while at the same time, influence tomorrow's events by today's pre-emptive decisions and actions.

3.5 IMPORTANCE OF PLANNING

While planning does not guarantee success in organizational objectives, there is evidence that companies that engaged in formal planning consistently performed better than those with none or limited formal planning and improved their own performance over a period of time. It is very rare for an organization to succeed solely by luck or circumstances. Some of the reasons as to why planning is considered a vital managerial function are given below:

- 1. Planning is essential in modern business:** The growing complexity of the modern business with rapid technological changes, dynamic changes in the consumer preferences and growing tough competition necessitates orderly operations, not only in the current environment but also in the future environment. Since planning takes a future outlook, it takes into account the possible future developments.
- 2. Planning affects performance:** A number of empirical studies provide evidence of organizational success being a function of formal planning, the success being measured by such

factors as return on investment, sales volume, growth in earnings per share and so on. An investigation of firms in various industrial products as machinery, steel, oil, chemicals and drugs revealed that companies that engaged in formal planning consistently performed better than those with no formal planning.

3. **Planning puts focus on objectives:** The effectiveness of formal planning is primarily based upon clarity of objectives. Objectives provide a direction and all planning decisions are directed towards achievement of these objectives. Plans continuously reinforce the importance of these objectives by focusing on them. This ensures maximum utility of managerial time and efforts.
4. **Planning anticipates problems and uncertainties:** A significant aspect of any formal planning process is collection of relevant information for the purpose of forecasting the future as accurately as possible. This would minimize the chances of haphazard decisions. Since the future needs of the organization are anticipated in advance, the proper acquisition and allocation of resources can be planned, thus minimizing wastage and ensuring optimal utility of these resources.
5. **Planning is necessary to facilitate control:** Controlling involves the continual analysis and measurement of actual operations against the established standards. These standards are set in the light of objectives to be achieved. Periodic reviews of operations can determine whether the plans are being implemented correctly. Well developed plans can aid the process of control in two ways.

First, the planning process establishes a system of advance warning of possible deviations from the expected performance. Second contribution of planning to the control process is that it provides quantitative data which would make it easier to compare the actual performance in quantitative terms, not only with the expectations of the organization but also with the industry statistics or market forecasts.
6. **Planning helps in the process of decision making:** Since planning specifies the actions and steps to be taken in order to accomplish organizational objectives, it serves as a basis for decision-making about future activities. It also helps managers to make routine decisions about current activities since the objectives, plans, policies, schedules and so on are clearly laid down.

3.6 ADVANTAGES AND LIMITATIONS OF PLANNING

The importance of formal planning has already been discussed. A vigorous and detailed planning programme helps managers to be future oriented. It gives the managers some purpose and direction. A sound blue print for plans with specific objective and action statements has numerous advantages for the organization which are as follows:

1. **Focuses Attention on Objectives:** Since all planning is directed towards achieving enterprise objectives, the very act of planning focuses attention on these objectives. Laying down the objectives is the first step in planning. If the objectives are clearly laid down, the execution of plans will also be directed towards these objectives.
2. **Ensures Economical Operation:** Planning involves a lot of mental exercise which is directed towards achieving efficient operation in the enterprise. It substitutes joint directed effort for uncoordinated piecemeal activity, even flow of work for uneven flow, and deliberate decisions for snap judgement costs. This helps in better utilization of resources and thus minimizing costs.
3. **Reduces Uncertainty:** Planning helps in reducing uncertainties of future because it involves anticipation of future events. Effective planning is the result of deliberate thinking based on facts and figures. It involves forecasting also. Planning gives an opportunity to a business manager to foresee various uncertainties which may be caused by changes in technology, taste and fashion of the people, etc. Sufficient provision is made in the plans to offset these uncertainties.
4. **Facilitates Control:** Planning helps the managers in performing their function of control. Planning and control are inseparable in the sense that unplanned action cannot be controlled because control involves keeping activities on the predetermined course by rectifying deviations from plans. Planning helps control by furnishing standards of control. It lays down objectives and standards of performance which are essential for the performance of control function.
5. **Encourages Innovation and Creativity:** Planning is basically the deciding function of management. It helps innovative and creative thinking among the managers because many

new ideas come to the mind of a manager when he is planning. It creates a forward looking attitude among the managers.

6. Improves Motivation: A good planning system ensures participation of all managers which improves their motivation. It improves the motivation of workers also because they know clearly what is expected of them. Moreover, planning serves as a good training device for future managers.

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

8. Achieves Better Coordination: Planning secures unity of direction towards the organizational objectives. All the activities are directed towards the common goals. There is an integrated effort throughout the enterprise. It will also help in avoiding duplication of efforts. Thus, there will be better coordination in the organization.

Limitations of Planning: Sometimes, planning fails to achieve the expected results. There are many causes of failure of planning in practice. These are discussed below:

1. Lack of reliable data: There may be lack of reliable facts and figures over which plans may be based. Planning loses its value if reliable information is not available or if the planner fails to utilize the reliable information. In order to make planning successful, the planner must determine the reliability of facts and figures and must base his plans on reliable information only.

2. Lack of initiative: Planning is a forward looking process. If a manager has a tendency to follow rather than lead, he will not be able to make good plans. Therefore, the planner must take the required initiative. He should be an active planner and should take adequate follow up measure to see that plans are understood and implemented properly.

3. Costly process: Planning is time consuming and expensive process. This may delay action in certain cases. But it is also true that if sufficient time is not given to the planning process, the plans so produced may prove to be unrealistic. Similarly, planning involves costs

of gathering and analyzing information and evaluation of various alternatives. If the management is not willing to spend on planning, the results may not be good.

4. **Rigidity in organizational working:** Internal inflexibility in the organization may compel the planners to make rigid plans. This may deter the managers from taking initiative and doing innovative thinking. So the planners must have sufficient discretion and flexibility in the enterprise. They should not always be required to follow the procedures rigidly.

5. **Non-acceptability of change:** Resistance to change is another factor which puts limits on planning. It is a commonly experienced phenomenon in the business world. Sometimes, planners themselves do not like change and on other occasions they do not think it desirable to bring change as it makes the planning process ineffective.

6. **External limitations:** The effectiveness of planning is sometimes limited because of external factors which are beyond the control of the planners. External strategies are very difficult to predict. Sudden break-out of war, government control, natural havocs and many other factors are beyond the control of management. This makes the execution of plans very difficult.

7. **Psychological barriers:** Psychological factors also limit the scope of planning. Some people consider present more important than future because present is certain. Such persons are psychologically opposed to planning. But it should not be forgotten that dynamic mangers always look ahead. Long-range wellbeing of the enterprise cannot be achieved unless proper planning is done for future.

3.7 MEASURES TO OVERCOME LIMITATIONS OF PLANNING

Some people say that planning is a mere ritual in the fast changing environment. This is not a correct assessment on managerial planning. Planning may be associated with certain difficulties such as non-availability of data, lethargy on the part of the planners, rigidity of procedures, resistance to change and changes in external environment. But these problems can be overcome by taking the following steps:

1. **Setting Clear-cut Objectives:** The existence of clear-cut objectives is necessary for efficient planning. Objectives should not only be understandable but rational also. The overall

objectives of the enterprise must be the guiding pillars for determining the objectives of various departments. This would help in having coordinated planning in the enterprise.

2. **Management Information System:** An efficient system of management information should be installed so that all relevant facts and figures are made available to the managers before they perform the planning function. Availability of right type of information will help in overcoming the problems of complete understanding of the objectives and resistance to change on the part of the subordinates.

3. **Carefully Premising:** The planning premises constitute a framework within which planning is done. They are the assumptions of what is likely to happen in future. Planning always requires some assumptions to be made regarding future happenings. In other words, it is a prerequisite to determine future settings such as marketing, pricing, Government policy, tax structure, business cycle, etc. before giving the final shape to the overall business plan. Due weightage should be given to the relevant factors at the time of premising. It may be pointed out that the premises which may be of strategic significance to one enterprise may not be of equal significance to another because of size, nature of business, nature of market, etc.

4. **Business Forecasting:** Business is greatly influenced by economic, social, political and international environment. The management must have a mechanism of forecasting changes in such environment. Good forecasts will contribute to the effectiveness of planning.

5. **Dynamic Managers:** The persons concerned with the task of planning should be dynamic in outlook. They must take the required initiative to make business forecasts and develop planning premises. A manager should always keep in mind that planning is looking ahead and he is making plans for future which is highly uncertain.

6. **Flexibility:** Some element of flexibility must be introduced in the planning process because modern business operates in an environment which keeps on changing. For achieving effective results, there should always be a scope to make necessary addition, deletion, or alternation in the plans as is demanded by the circumstances.

7. **Availability of Resources:** Determination and evaluation of alternatives should be done in the light of resources available to the management. Alternatives are always present in any decision problem. But their relative plus and minus points are to be evaluated in the light of the resources available. The alternative which is chosen should not only be concerned with

the objectives of the enterprise, but also capable of being accomplished with the help of the given resources.

8. **Cost-Benefit Analysis:** The planners must undertake cost-benefit analysis to ensure that the benefits of planning are more than the cost involved in it. This necessarily calls for establishing measurable goals, clear insight to the alternative courses of action available, premising reasonable and formulation of derivative plans keeping in view the fact that environment is fast changing.

3.8 BASIC PRINCIPLES OF PLANNING

The important principles of planning are as follows:

1. **Principle of contribution to objective:** The purpose of plans and their components is to develop and facilitate the realization of organizational aims and objectives. Long-range plans should be interwoven with medium-range plans which, in turn, should be meshed with short-range ones in order to accomplish organizational objectives more effectively and economically.
2. **Principle of limiting factors:** Planning must take the limiting factors (manpower, money, machines, materials, and management) into account by concentrating on them when developing alternative plans, strategies, policies, procedures and standards.
3. **Principle of pervasiveness of planning:** Planning is found at all levels of management. Strategic planning or long-range planning is related to top management, while intermediate and short-range planning is the concern of middle and operative management respectively.
4. **Principle of navigational change:** This principle requires that managers should periodically check on events and redraw plans to maintain a course towards a desired goal. It is the duty of the navigator to check constantly, whether his ship is following the right direction in the vast ocean to reach the destination as scheduled. In the same way, a manager should check his plans to ensure that these are progressing as required. He should change the direction of his plans if he faces unexpected events. It is useful if plans contain an element of flexibility. It is the responsibility of the manager, to adapt and change the direction of plans, to meet the challenge of constantly changing environment that could not be foreseen.

5. **Principle of flexibility:** Flexibility should be built into organizational plans. Possibility of error in forecasting and decision-making and future uncertainties are the two common factors which call for flexibility in managerial planning. The principle of flexibility states the management should be able to change an existing plan because of changes in environment, without due cost or delay, so that activities keep moving towards established goals. Thus, an unexpected slump in demand for a product will require change in sales plan as well as production plan. Change in these plans can be introduced, only when these possess the characteristics of flexibility. Adapting plans to suit future uncertainties or changing environment is easier if flexibility is an important consideration while planning.

3.9 CATEGORIES AND LEVELS OF PLANNING

Planning can be classified on different basis which are discussed below:

1. **Strategic and Functional Planning:** In strategic or corporate planning, the top management determines the general objectives of the enterprise and the steps necessary to accomplish them in the light of resources currently available and likely to be available in the future. Functional planning, on the other hand, is planning that covers functional areas like production, marketing, finance and purchasing.
2. **Long-range and short-range planning:** Long-range planning sets long-term goals of the enterprise and then proceeds to formulate specific plans for attaining these goals. It involves an attempt to anticipate, analyze and make decisions about basic problems and issues which have significance reaching well beyond the present operating horizon of the enterprise. Short-range planning, on the other hand, is concerned with the determination of short-term activities to accomplish long-term with the determination of short-term activities to accomplish long-term objectives. Short range planning relates to a relatively short period and has to be consistent with the long-range plans. Operational plans are generally related to short periods.
3. **Adhoc and Standing Planning:** Adhoc planning committees may be constituted for certain specific matters, as for instance, for project planning. But standing plans are designed to be used over and over again. They include organizational structure, standard procedures, standard methods etc.

4. Administrative and Operational Planning: Administrative planning is done by the middle level management which provides the foundation for operative plans. Operative planning, on the other hand, is done by the lower level managers to put the administrative plans into action.

5. Physical Planning: It is concerned with the physical location and arrangement of building and equipment.

6. Formal and Informal Planning: Various types of planning discussed above are of formal nature. They are carried on systematically by the management. They specify in black and white the specific goals and the steps to achieve them. They also facilitate the installation of internal control systems. Informal planning, on the other hand, is mere thinking by some individuals which may become the basis of formal planning in future.

LEVELS OF PLANNING

In management theory it is usual to consider that there are three basic levels of planning, though in practice there may be more than three levels of management and to an extent there will be some overlapping of planning operations. The three levels of planning are as under:

1. Top Level Planning: Also known as overall or strategic planning, top level planning is done by the top management, i.e. board of directors or governing body. It encompasses the long-range objectives and policies of organization and is concerned with corporate results rather than sectional objective. Top level planning is entirely long-range and is inextricably linked with long-term objectives. It might be called the 'what' of planning.

2. Second Level Planning: Also known as tactical planning, it is done by middle level managers or department heads. It is concerned with 'how' of planning. It deals with deployment of resources to the best advantage. It is concerned mainly, but not exclusively, with long-range planning, but its nature is such that the time spans are usually shorter than those of strategic planning. This is because its attentions are usually devoted to the step by step attainment of the organization's main objectives. It is, in fact, oriented to functions and departments rather than to the organization as a whole.

3. Third Level Planning: Also known as operational or activity planning, it is the concern of department managers and supervisors. It is confined to putting into effect the tactical

or departmental plans. It is usually for short-term and may be revised quite often to be in tune with the tactical planning.

3.10 PROCESS OF PLANNING OR ESSENTIAL STEPS IN PLANNING

Planning is a process which embraces a number of steps to be taken. It is an intellectual exercise and a conscious determination of courses of action. Therefore, it requires a serious thought on numerous factors necessary to be considered in making plans. Facts are collected and analyzed and the best out of all is chosen and adopted. The planning process, valid for one organization and for one plan, may not be valid for all other organizations or all types of plans, because various factors that go into planning process may differ from organization to organization or plan to plan. For example, planning process for a large organization may not be the same as for a small organization. The steps generally involved in planning are as follows:

- 1. Establishing Verifiable Goals or Set of Goals to be Achieved:** The first step in planning is to determine the enterprise objectives. These are most often set by upper level or top managers, usually after a number of possible objectives have been carefully considered. There are many types of objectives managers may select: a desired sales volume or growth rate, the development of a new product or service, or even a more abstract goal such as becoming more active in the community. The type of goal selected will depend on number of factors: the basic mission of the organization, the values its managers hold, and the actual and potential ability of the organization.
- 2. Establishing Planning Premises:** The second step in planning is to establish planning premises, i.e. certain assumptions about the future on the basis of which the plan will be intimately formulated. Planning premises are vital to the success of planning as they supply economic conditions, production costs and prices, probable competitive behaviour, capital and material availability, governmental control and so on.
- 3. Deciding the planning period:** Once upper-level managers have selected the basic long-term goals and the planning premises, the next task is to decide the period of the plan. Business varies considerably in their planning periods. In some instances plans are made for a year only while in others they span decades. In each case, however, there is always some logic in selecting a particular time range for planning. Companies generally base their period on a future that can reasonably be anticipated. Other factors which influence the choice of a period

are as follows:: (a) lead time in development and commercialization of a new product; (b) time required to recover capital investments or the pay back period; and (c) length of commitments already made.

4. **Findings Alternative Courses of Action:** The fourth step is planning is to search for and examining alternative courses of action. For instance, technical know-how may be secured by engaging a foreign technician or by training staff abroad. Similarly, products may be sold directly to the consumer by the company's salesmen or through exclusive agencies. There is seldom a plan for which reasonable alternatives do not exist, and quite often an alternative that is not obvious proves to be the best.

5. **Evaluating and Selecting a Course of Action:** Having sought alternative courses, the fifth step is to evaluate them in the light of the premises and goals and to select the best course or courses of action. This is done with the help of quantitative techniques and operations research.

6. **Developing Derivative plans:** Once the plan has been formulated, its broad goals must be translated into day-to-day operations of the organization. Middle and lower-level managers must draw up the appropriate plans, programmes and budgets for their sub-units. These are described as derivative plans. In developing these derivative plans, lower-level managers take steps similar to those taken by upper-level managers – selecting realistic goals, assessing their sub-units particular strength and weaknesses and analyzing those parts of the environment that can affect them.

7. **Measuring and Controlling the Progress:** Obviously, it is foolish to let a plan run its course without monitoring its progress. Hence the process of controlling is a critical part of any plan. Managers need to check the progress of their plans so that they can (a) take whatever remedial action is necessary to make the plan work, or (b) change the original plan if it is unrealistic.

3.11 SUMMARY

Planning has a primacy over other management functions and is a pervasive element in organizations. It involves the major activities such as setting objectives, determining policies and making decisions. Planning is a higher order mental process requiring the use of intellectual

faculties, imagination, foresight and sound judgment. By planning managers minimize uncertainty and help focus the sight of their organization on its goals.

3.12 GLOSSARY

Planning: Determining the objectives of the unit or activity.

Corporate Plans: Plans set for the entire organization.

Forecasting: Systematic attempt to probe the future by inference from known facts.

Strategic Planning: Strategic planning involves deciding the major goals of the organization.

3.13 CHECK YOUR PROGRESS

A. Fill in the blanks:

- a. Planning helps in reducing _____ of future because it involves anticipation of future events.
- b. Internal _____ in the organization may compel the planners to make the rigid plans.
- c. The person concerned with the task of planning should be _____ in outlook.
- d. Planning is found at _____ levels of management.

B . State whether the following statements are True or False:

- a. Planning is the responsibility of top management only.
- b. Planning is affected by unforeseen environmental changes.
- c. The effectiveness of formal planning is primarily based upon clarity of objectives.
- d. Planning is an all persuasive, continuous and dynamic process.

3.14 ANSWERS TO CHECK YOUR PROGRESS

A . a.Uncertainties b. Inflexibility c. Dynamic d. All

B . a. False b. True c. True d. True

3.15 TERMINAL QUESTIONS

1. "Managerial planning seeks to achieve a coordinated structure of operations". Comment.

2. "Without planning an enterprise would soon disintegrate, its actions would be as random as leaves scampering before an autumn wind, and its employee as confused as ants in an upturned ant hill". Comment
3. What do you understand by planning? Define its objectives and assess its importance. What should be done to overcome its limitations?
4. "Planning involves a choice between alternative courses of action". Comment briefly.
5. Describe in detail the steps involved in the planning process.

3.16 REFERENCES

13. Kootnz & O'Donnell, Principles of Management.
14. J.S. Chandan, Management Concepts and Strategies.
15. Arun Kumar and R. Sharma, Principles of Business Management
16. Sherlerkar and Sherlerkar, Principles of Management
17. Tripathi and Reddy, Principles of Management
18. Kimball and Kimball, Principles of Industrial Organisation

UNIT-4 ORGANIZATION- CONCEPT, PROCESS AND TYPES

STRUCTURE

- 4.1 Introduction
- 4.2 Meaning and Characteristics of Organization
- 4.3 Nature of Organization
- 4.4 Steps in the Process of Organizing
- 4.5 Objectives of Organization
- 4.6 Principles of Organization
- 4.7 Advantages of Organization
- 4.8 Formal and Informal Organizations
- 4.9 Summary
- 4.10 Glossary
- 4.11 Check Your Progress
- 4.12 Answers to Check Your Progress
- 4.13 Terminal Questions
- 4.14 References

OBJECTIVES

After reading this unit, you should be able to:

- Explain the basics of organization including its meaning, features, nature and objectives.
- Explain the steps involved in the process of organizing.
- Describe the principles of organization.
- Distinguish between formal and informal organizations.

4.1 INTRODUCTION

Organization is the backbone of management. Without efficient organization, no management can perform its functions smoothly. Sound organization contributes greatly to the continuity and success of the enterprise. They are social entities that enable people to work together to achieve objectives. Organizations are a major force that determines our work lives, work culture and work skills. Organizing is a crucial managerial function in defining the manager's job and role. A sound organization is the answer key of every problem of business. That is why once Andrew Carnegie, an American industrialist said, "Take away our factories, take away our trade, our avenues of transportation, our money. Leave nothing but our organization, and in four years we shall have re-established ourselves".

4.2 MEANING AND CHARACTERISTICS OF ORGANIZATION

The term 'organization' connotes different meanings to different people. Many writers have attempted to state the nature, characteristics and principles of organization in their own may. For instance, to the sociologists organization means a study of the interactions of the people, classes, or the hierarchy of an enterprise; to the psychologists organization means an attempt to explain, predict and influence behavior of individuals in an enterprise; to a top level executive it may mean the weaving together the functional components in the best possible combination so that an enterprise can achieve its goals. The word 'organization' is also used widely to connote a group of people and the structure of relationships.

Some important definitions of organization are given below:

"It is grouping of activities necessary to attain enterprise objectives and the assignment of each grouping to a manager with authority necessary to supervise it".

Koontz and O'Donnel

"The process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing relationship for the purpose of enabling people to work more effectively together in accomplishing objects". **Louis A. Allen**

"The structure and process by which a cooperative group of human beings allocates its tasks among its members, identifies relationship, and integrates its activities towards common objectives".

Joseph L. Massive

From the above definitions, it is clear that organization is the process of determining the total activities to achieve a given objective, grouping and assigning of activities to individuals, delegating them authority necessary to perform the activities assigned and establishing authority relationship among different positions in the organization.

An analysis of the above definitions reveals the following characteristics of an organization:

1. It is a group of individuals which may be large or small.
2. The group in the organization works under the executive leadership.
3. It is a machine or mechanism of management.
4. It has some directing authority or power which controls the concerted efforts of the group.
5. The division of labor, power and responsibilities are deliberately planned.
6. It implies a structure of duties and responsibilities.
7. It is established for accomplishment of common objectives
8. It is a functional concept.

Sound organization brings about the following advantages:

1. Facilitates attainment of the objectives of the enterprise.
2. Facilitates optimum use of resources and new technological development.
3. Facilitates growth and diversification.
4. Stimulates creativity and innovation.

5. Facilities effective communication.
6. Encourages better relations between the labour and the management.
7. Increase employee satisfaction and decreases employee turnover.

4.3 NATURE OF ORGANIZATION

The term 'organization' is used in two different senses. In the first sense it is used to denote the process of organizing. In the second sense, it is used to denote the results of that process, namely, the organizational structure. So, the nature of organization can be viewed in two ways:

- (a) Organization as a process; and
- (b) Organization as a structure or framework of relationship.

(a) Organization as a process: As a process, organization is an executive function. It becomes a managerial function involving the following activities:

- (i) Determining activities necessary for the accomplishment of the business objective.
- (ii) Grouping of interrelated activities.
- (iii) Assigning duties to persons with requisite competence,
- (iv) Delegating authority, and
- (v) Coordinating the efforts of different persons and groups.

When we consider organization as a process, it becomes the function of every manager. Organizing is a continuous process and goes on throughout the life time of an enterprise. Whenever there is a change in the circumstances or material change in situation, new type of activities spring up. So, there is a need for constant review and reassignment of duties. Right persons have to be recruited and necessary training has to be imparted to enable them to be competent to handle the jobs.

The process of organization thus, involves dividing the work into rational way and interpreting the activities with work situation and personnel. It also represents humanistic view

of the enterprise since it is the people which are uppermost in the process of integration of activities. Continuous review and adjustment makes this dynamic as well.

(b) Organization as a structure or framework of relationships: As structure, organization is a network of internal authority, responsibility relationships. It is the framework of relationship of persons, operating at various levels, to accomplish common objectives. An organization structure is a systematic combination of people, functions and physical facilities. It constitutes a formal structure with definite authority and clear responsibility. It has to be first designed for determining the channel of communication and flow of authority and responsibility. For this, analysis of different types has to be done. Peter F. Drucker suggests following three types of analysis:

- (i) Activities analysis
- (ii) Decision analysis, and
- (iii) Relations analysis,

A hierarchy has to be built-up i.e., a hierarchy of positions with clearly defined authority and responsibility. The accountability of each functionary has to be specified. Therefore, it has to be put into practice. In a way, organization can be called a system as well.

The main emphasis here is on relationships or structure rather than on persons. The structure once built is not liable to change so soon. This concept of organization is, thus, a static one. It is also called classical concept. Organization charts are prepared depicting the relationship of different persons.

In an organizational structure, both formal and informal organizations take shape. The former is a pre-planned one and defined by the executive action. The latter is a spontaneous formation, being laid down by the common sentiments, interactions and other interrelated attributes of the people in the organization. Both formal and informal organizations, thus, have structure.

4.4 STEPS IN THE PROCESS OF ORGANIZING

The managerial function of organizing may be called as the 'process of organizing'. When the objectives have been set and policies framed, the necessary infrastructure of

organization has to be built up. The concentration goes to activities and functions. These form 'the building blocks' of the organizational structure. There are no such rules as to which will lead to the best organizational structure. But the following steps can be of great help in the designing a suitable structure, which will aid in achieving enterprise objectives:

1. **Clear definition of objectives:** The first step in developing an organizational structure is to lay down its objectives in very clear terms. This will help in determining the type, stability and basic characteristics of the organization. In fact, organization activities are detailed in terms of objective to be achieved.
2. **Determining activities:** In order to achieve the objectives of the enterprise, certain activities are necessary. The activities will depend upon the nature and size of the enterprise. For example, a manufacturing concern will have production, marketing and other activities. There is no production activity in retail establishment. Each major activity is divided into smaller parts. For instance, production activity may be further divided into purchasing of materials, plant layout, quality control, repairs and maintenance, production research etc.
3. **Assigning duties:** The individual groups of activities are then allotted to different individuals according to their ability and aptitude. The responsibility of every individual should be defined clearly to avoid duplication and overlapping of efforts. Each person is given a specific job suited to him and he is made responsible for its execution. Right man is put in the right job.
4. **Delegating authority:** Every individual is given the authority necessary to perform the assigned activity effectively. By authority we mean power to take decisions, issue instructions, guiding the subordinates, supervise and control them. Authority delegated to a person should commensurate with his responsibility. An individual cannot perform his job without the necessary authority or power. Authority flows from top to bottom and responsibility from bottom to top.
5. **Coordinating activities:** The activities and efforts of different individuals are then synchronized. Such coordination is necessary to ensure effective performance of specialized functions. Interrelationship between different job and individuals are clearly defined so that everybody knows from whom he has to take orders and to whom he is answerable.

6. Providing physical facilities and right environment: The success of an organization depends upon the provision of proper physical facilities and right environment. Whereas it is important to have right persons on right jobs, it is equally important to have right working environment. This is necessary for the smooth running and the prosperity of the enterprise.

7. Establishment of structural relationship for overall control: It is very essential to establish well defined clear-cut structural relationships among individuals and groups. This will ensure overall control over the working of all departments and their coordinated direction towards the achievements of predetermined goals of business.

It is thus clear from the foregoing analysis that organization provides a structural framework of duties and responsibilities. It not only establishes authority relationship but also provides a system of communication. The various processes of organization explained above are technically performed through (a) departmentation (b) delegation of authority and fixation of responsibilities and (c) decentralization of authority subject to central control through centralization of decision-making.

4.5 OBJECTIVES OF ORGANIZATION

Every economic activity which is deliberately done has some purpose. When a group of people assemble without any per-planed aim or purpose, it is not an organization but just a mob. But when, for instance they are invited to participate in a conference, an element of purpose has been introduced. A purpose refers to commitment to desired future. Objectives and purposes, generally, are interchangeable terms.

Why should business enterprise organize itself? The answer to this question brings out its objectives. Objectives of a business organization are distinguished from the objectives of other social organizations. To put it more precisely, the nature of an organization (i.e. political, social, religious or economic) can only be known by studying its objectives.

The following may be, generally speaking, the objectives (or purpose) of organizing business:

1. Effective management of the enterprise: Effective management largely depends upon effective organization. It is the effective organization which ensures proper balance between authority and responsibility. It achieves a clear line of communication, and defines the areas of

work. It is the organization which allows the top management to concentrate on overall planning and supervision, leaving the routine work for the lower levels of administration. It saves the entire enterprise from adhocism, over-lappings and inefficiency.

2. **Maximum production at minimum cost:** The activities are allotted according to the principle of division of labour. The efficient system of organization encourages every employee to make his best contribution in raising output. The increase in output and control of wasteful expenditure helps to decrease the cost of production. The profitability of the concern will also go up.

3. **Sustained growth and diversification:** A business enterprise should be a growing organism. With the passage of time, an enterprise must expand its activities. It should also aim at diversification of products and markets.

A static business soon grows stale and gets out of run. It should grow from a small scale concern to a medium scale one and from a medium scale concern to large scale one. Organization plays an important role in this respect. Execution of policies in organized manner builds the necessary capacity and confidence in undertaking bigger activities.

4. **Cooperation of employees:** The organizational structure will succeed only if employees cooperate in the work. The employees learn working in closer cooperation of others. The management introduces various incentive schemes and gives monetary and other benefits to the employees, so that they work in a team spirit.

5. **Discharging social responsibility:** Maximizing of profits, no doubt, is the motive of every business. Without profit, no business can exist. But business is a part and parcel of society at large. It cannot survive long by exploiting consumers and society. It has to serve the society by providing it with goods of good quality at reasonable prices. It has to ensure smooth supply of goods as per the needs to consumers. The service motto cannot be realized without a well-knit organization structure. So, to discharge social obligation is an important objective of building up sound organization.

The purpose of sound organization is:

- (i) to establish an activity-authority environment in which people can perform most effectively.

- (ii) to make group action efficient and effective by providing centres for decision making and a system of communication to effectively coordinate individual efforts towards group-goals.
- (iii) to create relationships which minimize friction, focus on the objective, closely define the responsibilities of all parts and facilitate the attainment of the objective.
- (iv) to subdivide the management process by which plans are translated into actions so as to make management most effective.

Thus, to sum up we can say that organization is a process by which the manager brings order out of chaos, removes conflicts between people over work or responsibility, and establishes an environment suitable for teamwork.

4.6 PRINCIPLES OF ORGANIZATION

Effective and efficient working of any organization depends on how the managerial function of organization is being performed. The function of organization can be carried effectively with the help of under mentioned principles:

- (i) **Division of work:** While structuring organization, division of work, at the very outset, should be considered as the basis of efficiency. It is an established fact that group of individuals can secure better results by having division of work. Therefore, while designing the organization we should aim at making suitable grouping of activities. This is also called the principle of specialization.
- (ii) **Attention to objectives:** An organization is a mechanism to accomplish certain goals or objectives. The objectives of an organization play an important role in determining the type of structure which should be developed. Clearly defined objectives facilitate grouping of activities, delegation of authority and consequently effective coordination.
- (iii) **Span of management:** Span of management also refers to span of control signifying the number of subordinates reporting directly to any executive. It is an established fact that larger the number of subordinates reporting directly to the executive, the more difficult it tends to be for him to supervise and coordinate them effectively. This important principle of management should also be kept in mind.

(iv) **Unity of command:** Organization structure should also be designed in such a way that there exists unity of command in the sense that a single leader is the ultimate source of authority. This facilitates consistency in directing, coordinating and controlling to achieve the end objectives.

(v) **Flexibility:** While designing the organization it should be kept in mind that organizational structure should not be regarded as static. Every organization is a living entity in a living environment which is fast changing. As such there must be sufficient room for changing and modifying the structure in the light of environmental changes so that the ultimate objective of the organization is achieved.

(vi) **Proper balance:** It is important to keep various segment or departments of an organization in balance. The problem of balance basically arises when an activity or a department is further divided and subdivided into smaller segments. The problems of balancing also crops up with the growing of any organization in its size and functioning.

(vii) **Management by exception:** It is a fundamental principle that makes any organization effective in its true sense. This principle signifies that problems of unusual nature only should be referred upward and decided by higher level executives in the managerial hierarchy, whereas the routine problems should be passed on to lower levels and resolved there. Application of this principle as such, certainly requires adhering to the principle of delegation of authority. The principle of exception is thus of significant practical utility and applies to all levels in the organization structure.

(viii) **Decentralization:** This principle is of great significance to big organizations. Decentralization implies selective dispersal of authority to help departments and units to run effectively and efficiently without frequent interruptions from the top of the enterprise. It requires very careful selection of what decisions to push down into the organization, of what to hold at or near the top specific policy making to guide the decision-making, selection and training of people and adequate control. Decentralization, as such, embraces all areas of management and evidently is of overwhelming significance in organization structure.

(ix) **Departmentation:** Departmentation is the process of grouping activities into units for purposes of administration. In other words, it denotes grouping of related jobs and activities without violating the principle of homogeneity over which an executive has authority to

exercise and assert. The main advantages of departmentation are that it enables individual executive to manage his subordinates effectively since a manageable number of persons are brought under the direct supervision of individual executive.

(x) **Efficiency:** The organization should be able to attain the predetermined objectives at the minimum cost. It is done so, it will satisfy the test of efficiency. From the point of view of an individual, a good organization should provide the maximum work satisfaction. Similarly, from the social point of view, an organization will be efficient when it contributes the maximum towards the welfare of the society.

(xi) **Scalar principle:** Scalar chain refers to the vertical placement of superiors starting from the chief executive at the top through the middle level to the supervisory level at the bottom. Proper scalar chain or line of command is prerequisite for effective organization.

(xii) **Unity of direction:** This means that each group of activities having the same objectives should have one plan and one head. There should be one plan or programme for each segment of work which is to be carried under the control and supervision of one head or superior. If different plans or policies are followed in one department by the subordinates, confusion is bound to occur.

(xiii) **Continuity:** The form of organization structure should be such which is able to serve the enterprise to attain its objectives for a long period of time.

(xiv) **Coordination:** The principle of coordination underlines that there should be proper liaison and cooperation between different departments and units of work. Unity of efforts for the accomplishment of desired objectives is the main aim of organization. This can be achieved through the principle of coordination.

(xv) **Authority and responsibility:** Authority should commensurate with responsibility. While assigning the responsibility, authority should also be assigned. If authority is not granted, the subordinates cannot discharge their responsibility properly.

4.7 ADVANTAGES OF ORGANIZATION

The primary duty of management is to achieve the objectives of the enterprise. The objectives may be social, economic, political or religious. Proper organization of men,

materials, money and equipment is necessary. Organization is the mechanism through which management directs, coordinates and controls the business. A sound organization offers the following advantages, which summarizes its importance:

1. **Enhancement of managerial efficiency:** A sound organization brings a proper coordination among various factors of production and leads to their optimum utilization. It avoids confusion, duplication and delays in work. It motivates the worker by proper division of work and labour. It reduces the work load of executives by delegation of authority.
2. **Growth, expansion and diversification:** Organization provides the framework within which an enterprise can expand and grow. Through organization, management can multiply its strength. In a good organization, the money and effort spent on different activities are in proportion to their contributions. It is through proper organization setup that many firms have grown from humble beginning to a giant size.
3. **Specialization:** A sound organization structure provides the benefits of specialization. Various activities are allocated between different individuals according to their qualifications, experience and aptitude. It increases their efficiency. Systematic organization of activities helps to secure economics and to minimize costs.
4. **Adoption of new technology:** A properly designed and well-balanced organization permits prompt adoption and optimum use of technological improvements. It has the capacity to absorb changes in the environment of business and to provide a suitable reaction to such changes. A good organization helps in the development of new and improved means of doing things.
5. **Coordination:** Organization facilitates coordination of diverse activities. Different functions are welded together to accomplish the desired objectives. Clear lines of authority and responsibility between various positions, ensure mutual cooperation and harmony in the enterprise. A good organization enables people to work with team spirit.
6. **Training and Development:** By delegating authority to lower levels, training and development of future executives is made possible. A good organization puts 'right man at the right job' and provide them right training and managerial development programmes. By appointing employees in different department assigning them different jobs, their training needs can be ascertained.

7. **Creativity, initiative and innovation:** A good organization encourages initiative and creative thinking. Employees are motivated to break new grounds and try unconventional methods. A sound organization offers the scope for recognition of merit followed by financial incentives to the personnel showing creativity.
8. **Check on corrupt practices:** A weak and unsound organization is source of corruption and inefficiencies. Well organized, well-defined, disciplined and sound organizations boost the morale and motivation of workers. It develops a feeling of involvement, belongingness, devotion, honesty and sincerity among employees. It prevents corruption, inefficiencies and wastage in an enterprise.
9. **Proper weightage to all activities:** A sound organization divides the entire enterprise into different departments, sections and sub-sections according to the functions to be performed by them. Each function of an enterprise has got its own importance. Emphasis is given according to their relative importance. Funds and manpower is allocated to their relative importance.
10. **Better human relations:** Human beings involved in an organization are only dynamic element of organization. A dedicated and satisfied group of persons proves an asset to any establishment. An organization, built on sound principles, helps harmony in human relations. With properly defined authority, responsibility and accountability, different persons enjoy job-satisfaction. Organization consists of human beings and their satisfaction helps in improving human relations.

Thus, organization is the foundation of management. Sound organization is an indispensable mean for efficient management and better business performance. It not only facilitates efficient administration but also encourages growth and diversification. It provides for optimum use of new technology, stimulates innovation and creativity.

4.8 FORMAL AND INFORMAL ORGANIZATIONS

On the basis of relationship, an organization may be divided into two broad categories: (a) formal and (b) informal. Both types of relationships are necessary for group action just as two blades are essential to make a pair of scissors workable.

Formal Organization

Formal organization refers to the structure of relationships deliberately built up by the top management to realize the objectives. In this form instructions, responsibility, authority, accountability, lines of command, and positions and authority are clearly defined and declared. Each person is aware of his duties and authority. Every subordinate is expected to obey his supervisor in the formal chain of command. Each individual is fitted in the organization like a cog in the machine. It is designed after careful identification, classification and assignment of business activities. So, it is conscious creation of relationships.

Informal organization

Informal organization refers to the network of personal and social relationships which arise spontaneously when people working together interact on personal whims, likes and prejudices. Such relations are not created by the top management and they are not recognized formally. The informal groups sometimes run parallel to the formal ones. Informal relations are not portrayed on organization charts and manuals. An informal organization provides an opportunity to workers to come close to each other, develop a feeling of cooperation and coordination among themselves.

Difference Between Formal and Informal Organizations

The difference between formal and informal organizations can be enumerated briefly as below:

1. **Formation:** Formal organization is deliberately created by management. It is the result of a conscious and deliberate effort involving delegation of authority. On the other hand, informal organization arises spontaneously and no conscious efforts are made to create it. It takes place on the basis of relationships, caste, culture, occupations and on personal interests etc. No delegation of authority is essential in informal organization.
2. **Basis:** A formal organization is based upon rules and procedures, while an informal organization is based upon attitudes and emotions of the people. It depends on informal, social contacts between people working and associating with one another.
3. **Nature:** A formal organization is stable and predictable and it cannot be changed according to the whims or fancies of people. But an informal organization is neither stable nor predictable.

4. **Set up:** A formal organization is a system of well defined relationships with a definite authority assigned to every individual. It follows predetermined lines of communication. On the contrary, an informal organization has no definite form and there are no definite rules as to who is to report to whom. Even a low-placed employee may have an informal relationship with an officer far above him in the formal hierarchy.
5. **Emphasis:** In a formal organization, the main emphasis is placed on authority and functions. In an informal organization the stress is on people and their relationships.
6. **Authority:** Formal authority is attached to a position and it flows from top to bottom. Informal authority is not attached to a person and it flows bottom to top or horizontally.
7. **Existence:** A formal organization exists independently of the informal groups that are formed within it. But an informal organization exists within the framework of a formal structure.
8. **Rationality:** A formal organization operates on logic rather than on sentiments or emotions. All activities follow a predetermined course. As an association between like-minded people, an informal organization has little rationality behind it. In an informal organization, activities are influenced by emotions and sentiments of its members.
9. **Depiction:** Formal organization can be shown in an organization chart or a manual. But an informal organization cannot be depicted in the chart or manual of the enterprise.

4.9 SUMMARY

The word organization has two common meanings. The first meaning refers to the process of organizing. The second meaning signifies the institution or group which comes into existence as a result of organizing. The organizing process involves a number of steps, viz. consideration of objectives, grouping of activities into departments, deciding which departments will be treated line and which will be related staff, determining the levels at which various types of decisions are to be made, determining the span of supervision and setting up a coordination mechanism. There are a number of principles of organizing, which should be remembered in the process of organizing.

4.10 GLOSSARY

Organization: It is the process of determining the total activities to achieve a given objective, grouping and assigning of activities to individuals, delegating them authority necessary to perform the activities assigned and establishing authority relationship among different positions in the organization.

Formal Organization: It is the structure of relationships deliberately built up by the top management to realize the objectives.

Informal Organization: Informal organization refers to the network of personal and social relationships which arise spontaneously when people working together interact on personal whims, likes and prejudices.

Span of Management: Signifying the number of subordinates directly reporting to any executive.

4.11 CHECK YOUR PROGRESS

1. State whether the following statements are True or False:

- a. Organizing is a continuous process and goes on throughout the life time of an enterprise.
- b. The organization should be able to attain the predetermined objectives at the no cost.
- c. The principle of coordination underlines that there should be proper liaison and cooperation between different departments and unit heads.
- d. Well organized, well-defined, disciplined and sound organizations boost the morale and motivation of workers.

2. Fill in the blanks:

- a. An organization structure is a systematic combination of people, _____ and physical facilities.
- b. The responsibility of every individual should be defined clearly to avoid duplication and _____ of efforts.
- c. It is the effective organization which ensures proper balance between _____ and responsibilities.
- d. Clearly defined objectives facilitate grouping of activities, delegation of authority and consequently _____ coordination.

4.12 ANSWER TO CHECK YOUR PROGRESS

1.	a.	True	b.	False	c.	True	d.	False
2.	a.	Functions	b.	Overlapping	c.	Authority	d.	Effective

4.13 TERMINAL QUESTIONS

1. Define organization and explain its characteristics.
2. Explain the meaning of organization and describe its principles.
3. Explain the nature and importance of organization.
4. What are the important steps in the process of organization?
5. "Organization is an important tool to achieve organizational objectives," Comment.
6. What do you understand by informal organization? How does it differ from a formal organization?
7. Explain the various steps in the process of planning.

4.14 REFERENCES

1. Kootnz & O'Donnell, Principles of Management.
2. J.S. Chandan, Management Concepts and Strategies.
3. Arun Kumar and R. Sharma, Principles of Business Management
4. Sherlerkar and Sherlerkar, Principles of Management
5. Tripathi and Reddy, Principles of Management
6. Kimball and Kimball, Principles of Industrial Organisation

UNIT-5 ORGANIZATION STRUCTURES

STRUCTURE

- 5.1 Introduction
- 5.2 Line Organization
- 5.3 Line and Staff Organization
- 5.4 Functional Organization
- 5.5 Matrix Organization
- 5.6 Committee form of an Organization
- 5.7 Distinction between Organizations
- 5.8 Summary
- 5.9 Glossary
- 5.10 Check Your Progress
- 5.11 Answers to Check Your Progress
- 5.12 Terminal Questions
- 5.13 References

OBJECTIVES

After reading this unit, you should be able to:

- Understand the various types of organizations viz. line and staff, functional, matrix, and committee and
- Distinguish between the various types of organizations.

5.1 INTRODUCTION

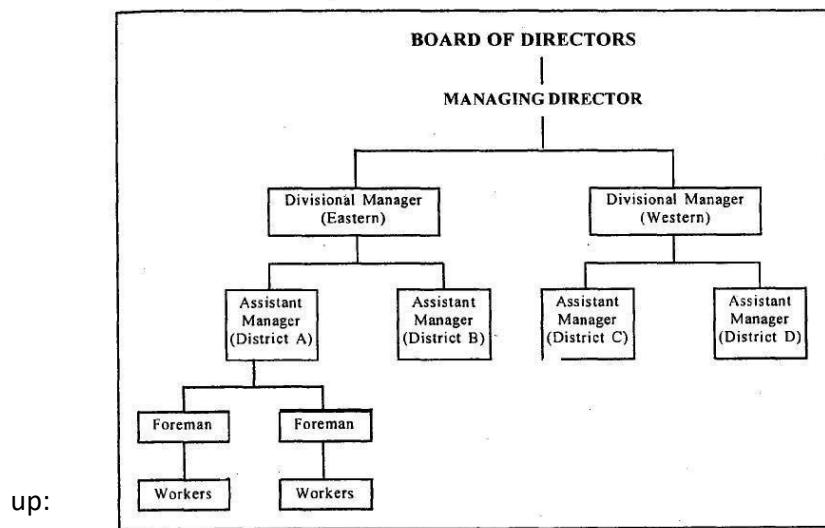
One of the important components of the organization process is the creation of an appropriate organization structure. The organization structure represents the hierarchical

arrangement of various positions in the enterprise. It helps in allocating authority and responsibility formally. But there is no best structure of the organizational relationship which may be suitable, for enterprise has to evolve its own organization structure based on the nature of activities and business competence of personnel and the philosophy of management. There are five types of an organization namely (a) Line Organization (b) Line and Staff organization (c) Functional Organization (d) Project or Matrix Organization and (e) Committee Organization.

5.2 LINE ORGANIZATION

Historically, this is the oldest form of an organization. This is known by different names, i.e., military, vertical, scalar and departmental. All other types of organization structure have mostly been modifications of the line organization. The concept of the line organization holds that in any organization derived from a scalar process, there must be a single head who commands it. Although an executive can delegate authority, he has ultimate responsibility for results. According to **McFarland**, “Line structure consists of the direct vertical relationship which connect the positions and tasks of each level with those above and below it”. According to **Allen**, “Organizationally, the line is the chain of command that extends from the board of directors through the various delegations and redelegations of authority and responsibility to the point where the primary activities of the enterprise are performed”.

Following is the chart showing the line organization:



- (a) There are many levels of management depending upon the scale of business and decision-making ability of managers. Each level of management has equal rights.
- (b) There is a vertical flow of authority and responsibility. The lower positions derive authority from the higher positions.
- (c) There is a unity of command. Every person is accountable to only one person (his immediate boss) and none else. A person receives orders only from his immediate boss.
- (d) There is scalar chain in the line organization. The flow of orders, communication of suggestions and complaints, etc. are made as it is in the case of a ladder. One cannot defy the claim.
- (e) There is limit on subordinates under one manager. A manager has control only over the subordinates of his department.

Merits

The merits of the line organization are as follows:

- (i) **Simplicity:** It is the simplest of all types of organizations. It can be easily established and easily understood by the workers.
- (ii) **Clear-cut division of authority and responsibility:** The authority and responsibility of every person is clearly defined. Everyone knows as to whom he can issue orders and to whom he is accountable. Further it is easier to fix up the responsibility if there is any lapse anywhere in the performance of activities.
- (iii) **Strong discipline:** Because of direct authority responsibility relationships, discipline can be maintained more effectively. Direct supervision and control also helps in maintaining strong discipline among the workers.
- (iv) **Unified control:** Since the orders are given by one superior, there is no confusion, among the subordinates. This ensures better understanding and quick action.
- (v) **Prompt decisions:** As the superiors enjoy full authority, quick decisions are taken by them. Such decisions are executed promptly also.

(vi) **Flexibility:** Since each departmental head has sole responsibility for his department, he can easily adjust the organization according to the changes in business situation.

Demerits

The demerits of the line organization are as follows:

- (i) **Heavy burden of work:** Since the departmental head has to look after all the activities of his department, he is over burdened with work. He may neglect some of the duties and there may be some inefficiency in management.
- (ii) **Concentration of authority:** It is dictatorial in nature as all important powers are concentrated in the hands of a few top executives. If they are not able the enterprise will not be successful.
- (iii) **Lack of specialization:** The line organization suffers from lack of specialized skill of experts. It is extremely difficult for one person to handle activities of diverse nature. It is not possible to achieve the advantages of specialization in all fields.
- (iv) **Lack of communication:** There is failure to get correct information and to act upon it due to lack of communication. Although there is communication from top to bottom there is usually no communication from the lower ranks to higher rank and executives. They are not provided with an opportunity to put forward their viewpoint or problems or suggestions to persons at the top level. Thus, they lose their capacity for independent thinking.
- (v) **Scope for favoritism:** Since the departmental head is almost all-in-all for the activities of his department. There is scope for favoritism. There may be a good deal of nepotism and jobbery and personal prejudices. The executive may appoint and promote his own men in various positions ignoring the claim of efficient persons.

Despite these drawbacks, the line organization is still considered as very ideal for small enterprises where the work involved is not of a very complex nature and number of people are small. It is also, ideal where automatic machines are in use or where talented and capable executives are at the head of various departments. But it is not very successful in large concerns.

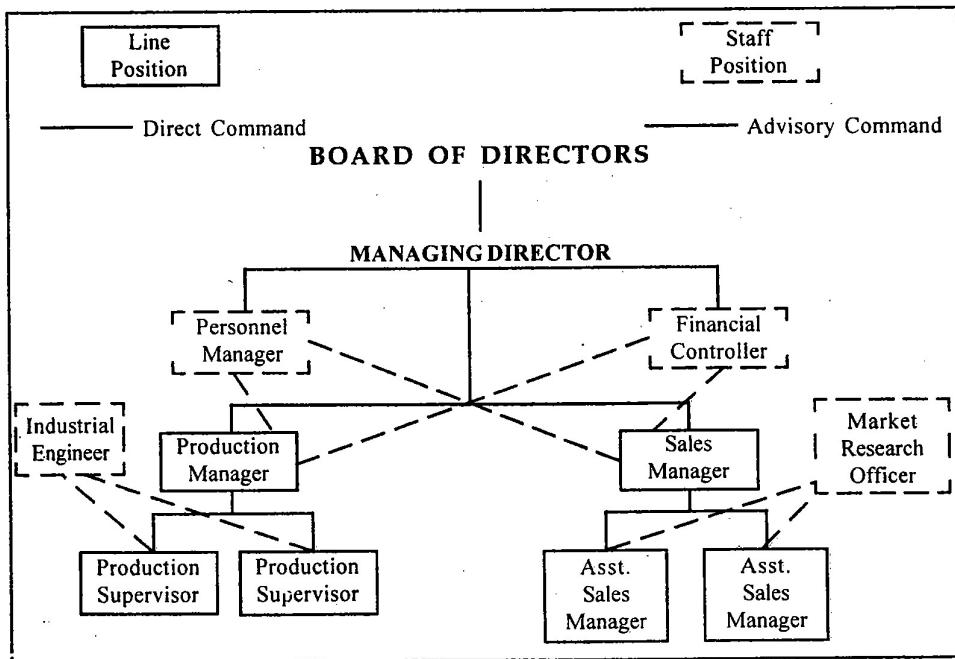
5.3 LINE AND STAFF ORGANIZATION

The line organization suffers from three main drawbacks, i.e., heavy burden of work on the line executive, too much concentration of power in the hands of a low line executive and lack of specialization. In view of these drawbacks, the idea of the line and staff organization was introduced.

Normally staff means those elements of an organization that help the line of work most effectively in accomplishing the primary objectives of the enterprise. The staff authority support those executives who hold the line authority. The staff authority consists of experts and specialists in various fields. The main function of the staff is to help the line executives in such activities which require expert and specialized knowledge. The role of the staff is purely advisory and not authoritative. They have to recommend but have no authority to enforce their preference on subordinates or to issue orders to them. In fact, the function of the line executives is to act and that of the staff is to think and suggest.

In short, the line and staff organization refers to a pattern in which the staff specialists advise the line managers to perform their duties. Thus, in a firm engaged in the manufacture of dyes and chemicals, the works manager, marketing manager and the finance manager are line officials while functions like personnel management, quality control, public relations and accounting are staff functions. Thus, the line and the staff are two types of organizational relationships.

Following is the chart showing the line and staff organization:



The characteristics of the line and staff organization are as follows:

1. Managers are of two types—Line Managers and Staff Managers.
2. The Line Managers perform the functions of decision-making, issuing orders and controlling while the Staff Managers perform the functions of advising, assisting and providing expert and specialized services.
3. There is a unity of command.
4. There is a scalar chain.

Merits

This form of organization came to existence as an improvement over the line organization. The line and staff organization has removed serious drawbacks of the line organization.

- (i) **Specialization:** It is based on planned specialization. The line managers get the benefit of specialized knowledge of the staff specialists at various levels.
- (ii) **Encouragement to research and development programmes:** The growth of an enterprise depends largely upon various research and development programmes. The staff provides this service to the line departments.

(iii) **Balanced decisions:** The line managers may not have specialized knowledge in all areas and due to this line managers may sometimes give wrong orders or pass wrong judgment. The suggestions and advice given by staff manager help them in making rational judgment and balanced decisions. .

(iv) **Less burden on the line managers:** The staff managers relieve the line managers from the botheration of concentrating on the specialized functions like accounting, selection and training of employees, public relations, etc. Thus, there is less burden on line managers. Many problems that are ignored or poorly handled in the line organization, can be properly covered. It is more flexible.

Demerits

Demerits of the line and staff organization are as follows:

(i) **Confusion:** It is very difficult to clearly establish the authority and responsibility relationship between the line and staff executives. This creates confusion.

(ii) **Ineffectiveness of the staff:** The role of the staff is purely advisory. Since they do not have the power to get their recommendations implemented, the staff services may prove to be ineffective.

(iii) **Conflict between the line and staff:** There is generally a conflict between the line and staff executives. The line authorities feel that staff executives do not always give right type of advice and therefore reject even some very good schemes. Line authorities do not want to give an impression to management that they are in any way inferior to the staff. Thus, there is always a conflict between the line and staff organizations.

The line and staff organization structure has gained popularity because certain problems of management have become so complex that in order to deal with them, expert knowledge is necessary which can be provided by the staff officers. Whatever drawbacks are there, they are mainly due to its wrong application.

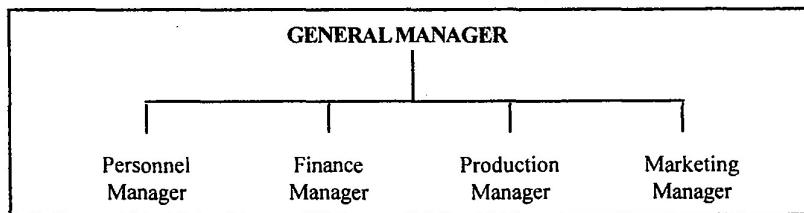
5.4 FUNCTIONAL ORGANIZATION

In the functional organization, all activities in the enterprise are grouped together according to certain functions like production, marketing, finance and personnel and are put

under the charge of different persons. The person-incharge of a function follows it throughout the organization and also controls the individuals working in that functional area. This means that if a person performs several functions, he will be under the direct charge of several persons-incharge of these functions. The functional incharge is an expert in his own field. It is rare to find a pure functional organization. However, many business enterprises follow functional plan to some extent to carry out the primary functions.

Functional organization may be at different levels. At the top level, it leads to formation of departments each for a common major activity like purchases, sales, production, finance, etc. Each department looks after its function common to all departments. For example, the question of selection, training, promotion, etc. in purchase, sales and other departments will be decided by the personnel department. Taylor recommended functional organization even at the shop level (lowest level). He expressed the view that a foreman should also be assisted by a number of specialists.

Following chart shows the functional organization:



The above discussion brings out the following characteristics of functional organization:

1. The work is divided into specialized functions.
2. The superior specialist commands an authority and therefore gives orders relating to his specific functions throughout the line.
3. The specialist must be consulted before any decision is taken on matters relating to his specialized area.
4. The responsibilities of functional authority are mainly discharged by other executives.

5. It is flat topped organization in comparison to the line organization. A specialist can supervise a large number of employees while in the line organization, a specialist supervises a limited number of subordinates.

Merits

The merits of the functional organization are as follows:

- (i) **Specialization:** It ensures a greater division of labor and enables the concern to take advantage for specialization of functions.
- (ii) **More efficiency:** Efficiency of workers is increased as the workers and other have to perform a limited number of operations and they get suggestions and instructions from specialists.
- (iii) **Separation of mental and physical functions:** It ensures the separation of mental and physical functions. This ensures better control of the working of the different sections.
- (iv) **Economy:** Standardization and specialization in various fields facilitates production on a large scale resulting in economy in production.
- (v) **Expansion:** It offers a greater scope for expansion as compared to the line organization. It does not face the problem of limited capabilities of a few line managers. The expert knowledge of the functional managers facilitates better control and supervision in the organization.

Demerits

The demerits of the functional organization are as follows:

- (i) **Confusion:** The operation of functional organization is too complicated. Workers are supervised by a number of bosses. This results in overlapping of authority and thus creates confusion in the organization.
- (ii) **Lack of coordination:** Under this, the work is divided into parts and sub-parts. It poses difficulties in coordinating the functioning of different parts. Thus, it is difficult to take quick decisions.

(iii) **Difficulty in fixing responsibility:** Because of multiple authority, responsibility for poor performance cannot be fixed easily on a particular person.

(iv) **Conflict:** Supervisory staff of equal rank may not always agree on certain issues. Therefore, there may be frequent conflicts which may lead to non-performance.

This type of organization is suitable for all kinds of enterprises irrespective of their nature or size. But it can be practiced more successfully at the higher levels of the organization than at the lower levels.

5.5 MATRIX ORGANIZATION

This is one of the latest types of organizational design. It has been developed to establish flexible structure to achieve series of project objectives. Matrix organization, also known as grid, is an answer to the growing size and complexity of the undertaking, which require an organization structure more flexible and technically oriented than the line and staff and functional structures.

The matrix organization is a combination of the project organization and the functional organization. Authority flows vertically within functional departments, while authority of project managers flows horizontally crossing vertical lines. Thus, matrix organization is created, when project management is superimposed on a stable hierarchical structure, usually of a functional nature. Here the individuals working on a project have a continuing dual assignment; to their project and to their base department.

Features

The important features of the matrix organization are as follows:

- (i) **Built around specific projects:** The matrix organization is built around specific projects. The charge of the project is given to the project manager who has the necessary authority to complete the project in accordance with the time, cost, quality and other conditions communicated to him by the top management.
- (ii) **Personnel from various departments:** The project manager draws personnel from various functional departments. He assigns the work to the various functional groups.

Upon completion of the project, the functional groups return to their functional departments for reassignment to other projects.

- (iii) **Different roles:** The project and the functional managers have different roles. The project manager exerts a general management viewpoint with regard to his project. Each functional manager is responsible for maintaining the integrity of his function. However, both the project and functional managers are dependent on each other as they have to take several joint decisions in order to execute the project. So there is proper co-ordination between the project and the functional groups.
- (iv) **Management by objectives:** Management by project objectives is paramount to the way of thinking and working in it.

Advantages

The matrix organization has many advantages. Many organizations which otherwise face problems of structural and technical complexities should adopt this type of organization. The functional vertical relationships as well as interdependent horizontal relationships lead to operational flexibility. This makes it more adaptable to crisis and change. It provides focus on projects and retains the benefits of specialized expertise and capabilities of functional departments.

Limitations

It is of a temporary nature. Further, there may be a conflict between project groups and functional groups. It requires coordination of a number of specialized skills. Project personnel entertain considerable fear that termination of a project may bring discharge rather than reassignment to a new project. Frequent movements from one project to another also create considerable anxiety about career progress.

It is very difficult to say which of the types of organization is the best. On a careful analysis, we find that the line and staff organization is quite popular in the business world.

5.6 COMMITTEE FORM OF AN ORGANIZATION

In this complex business world, each activity taken out by any department, affects the work of other departments. A slight change in production policy will concern the sales

department. Similarly, a new sale policy or a change in the sale policy cannot be followed by the sales managers without consulting the finance manager or the production manager. It should be well understood in this reference that such important policy decisions which concern other departments also, should not be taken by the incharge of the department concern alone but they should be referred to a committee consisting of the managers of the affecting departments. It will ensure cooperation and better coordination. Thus, committee organization is extensively used to solve the multifaceted problems of large and complex business units.

Meaning of Committee

Committee is a group of individuals especially designated to take decision in matters referred to it through free exchange of ideas among its members.

Louis A. Allen states that “A committee is a body of persons appointed or elected to meet on an organized basis for the consideration of matters brought before it”.

W. H. Newman defines it as “A group of people specifically designated to perform some administrative act. It functions only as a group and requires the free interchange of ideas among its members”.

On the basis of the above definitions, the following broad characteristics may be spelled out:

- (i) **Group of two or more persons:** A committee is a group of two or more persons appointed or elected.
- (ii) **Scope:** It deals with specific problems referred to it. There are strictly defined jurisdictions within which committee is expected to justify its existence.
- (iii) **Deliberation:** The members can go into details of the problems and can discuss each and every aspect of the problem concerned.
- (iv) **Authority:** A committee may have the authority either to take final decisions or to recommend the action in the matter.

Types of Committees

Committees may be classified in various forms. The most common are:

- (i) **Standing or ad hoc committees:** A committee may be permanent (standing) or ad hoc (temporary) in character. A standing committee has permanent existence while ad hoc committee is constituted for a specific purpose.
- (ii) **Decision-making or other committees:** A committee may be delegated authority to make a final decision while others may merely deliberate on the problems. Some committees are authorized only to make recommendations to the line executives.
- (iii) **Line or staff committees:** The line committee is charged with the authority of decision-making affecting subordinates responsible to it.
- (iv) **Formal and informal committees:** Formal committees are those which have been established under organizational rules, regulations and with specific authority spelling out its duties and authority.

Most committees in business-formal ones. An informal committee, on the other hand, is organized with specific delegation of authority. It does not form a part of the organization.

Principles of the Committee Organization

Main principles of the committee organization are as under:

- (i) **Principle of minimum number of members:** The number of members of the committee should not be very large. There must be maximum five or six members in the committee so that it may be managed properly.
- (ii) **Principle of inclusion of concerned experts:** Only those persons must be included in the committee organization who are concerned with the particular works.
- (iii) **Principle of regular meeting of committee:** The meetings of the committee- must be called in proper manner and every member of the committee must be duly informed of the meetings of committee.
- (iv) **Principle of rights and duties of members:** The rights and duties of all the members of the committee must be clearly defined.
- (v) **Principle of liabilities of members:** The liabilities of all the members of committee must be in accordance with the rights delegated to them.

- (vi) **Principle of agenda of the committee:** The meetings must be conducted in accordance with the programme which must be pre-determined.
- (vii) **Principle of mutual trust:** There must be mutual trust and feeling of cooperation among all the members of the committee.
- (viii) **Principle of membership retirement:** Members of committee must be liable to retire by rotation. If the committee is set up and managed according to the above principle, it may be expected that the committee will be successful in obtaining its objects.

Merits of the Committee Organization

The committee organization is becoming more and more popular day by day. Important merits or advantages of the committee organization are as under:

- (i) **Collective decisions:** All the important decisions are taken collectively in the committee organization. Such decisions are more logical and sound and are affected by the skill, intelligence and experience of all the members of the committee.
- (ii) **Communication of information:** The committee organization provides a suitable stage for effective communication.
- (iii) **Increase in mutual cooperation:** The committee organization depends on the feeling of mutual cooperation and co-ordination. Thus, the committee organization is helpful in developing the feeling of mutual trust and mutual cooperation among the members.
- (iv) **Decentralization of power:** The committee organization is based on decentralization of power because in this system, the rights to take the important decisions are not centralized with any individual officer. All the members of the committee take collectively decisions.
- (v) **Encouragement to democracy:** It encourages democracy because all the decisions of committee are taken by majority.
- (vi) **Indiscriminate decisions:** All the decisions of the committee organization are taken collectively by all the members of the committee. Therefore, such decisions are also not effected by personal thinking and personal opinion of any officer.

(vii) **Advantage of ability of members:** All the members of the committee organization participate in all the functions of the committee. They make their whole-hearted contribution in the functions of the committee. In this manner, the business enterprise gets the advantage of abilities of all the members.

(viii) **Coordination:** This is based on mutual cooperation and mutual trust. Therefore, the activities of all the members are coordinated.

(ix) **Easy to control:** The process of control becomes quite easy in this organization because all the members take active participation in the decision-making process and they contribute their whole-hearted efforts in implementing the decision.

(x) **Other advantages:** There are some other advantages also in addition to the above advantages. These are common directions, increased knowledge of members, etc.

Demerits of the Committee Organization

In spite of the above merits, the committee organization is considered to be defective and impractical.

According to Koontz & O'Donnell, "It is an association made of the unit selected by the unwilling to do the unnecessary". Demerits of the committee organization can be briefly discussed as follows:

- (i) **Delay in decisions:** A great disadvantage of the committee organization is that the decisions become a project and thus delayed because all the decisions are to be taken by majority. Sometimes, the decisions are so late that they become meaningless.
- (ii) **Delay in action:** As the decisions are late, their implementation is late and the action gets late.
- (iii) **Lack of motivation:** As no individual officer is authorized to take an important decision, it creates lack of motivation.
- (iv) **Lack of responsibility:** As all the decisions are taken collectively, it creates the problem of assigning responsibility to any individual officer.

- (v) **Leadership of aggressive nature:** A great disadvantage of the committee organization is that the leadership of such committee is of aggressive nature because the person who speaks more and loudly dominates the committee.
- (vi) **Lack of secrecy:** As all the important decisions are taken collectively by the heads of all the departments, there is a lack of secrecy.
- (vii) **Against minority members:** As the decisions are taken by the rule of majority, there are some persons against these decisions. This way, the decisions of the committee remain against such minority members.
- (viii) **Useless functions:** Sometimes the committee performs some functions which are of no use to the enterprise.
- (ix) **Slackness in the activities of enterprise:** As the members of the committee are the heads of their departments and these members frequently call their meetings, it causes slackness in the activities of enterprise.
- (x) **Other disadvantages:** In addition to the above-mentioned disadvantages, there are some more disadvantages also, as difficulty in the discharge of duties officers, etc.

Thus, we see that the committee organization is meaningless and useless because of the above disadvantages.

Koontz & O'Donnell has stated in this regard as, "You go to purchase a horse and you come back with a camel in your hands".

Misuses of the Committee Organization

The committee organizations are generally found only in big business enterprises because the organization of a big business and industrial enterprise is possible only through the committee organization. Some examples of misuse of the committee organization may be as under:

- (i) **Decisions by compromise:** Decisions by compromise is a very common misuse of the powers of officers of the committee. The opinions of members of committee are also different so that it becomes almost impossible to take the unanimous decisions. In this

case, almost all the decisions are taken by compromise. These decisions are not very sound and effective. Sometimes these decisions are against the interests of enterprise.

- (ii) **Expensive:** A committee organization is a very big organization. Therefore, it is an expensive organization. The members of the committee make many unnecessary expenses in the name of the organization.
- (iii) **Injustice with the members of minority:** All the decisions of the committee are taken by the rule of majority. It means that there are some members against the decisions taken by committee. Thus, the decisions of committee are imposed upon these members which is against the interests of enterprise itself.
- (iv) **Documentation of few persons:** Theoretically all the decisions of the committee are taken by majority. All the members have right to express their opinions on all the subjects discussed at the committee. But practically the committee is dominated by a few persons who can speak loudly and fluently. Such members of committee influence the decisions of committee in undesirable manner.
- (v) **Time is less and problems are more:** The committee organization is a big organization. It has to perform a large number of functions, and the time is limited. There is always a shortage of time in relation to the works to be performed. Therefore, the members do not take due interest in the functions of committee and they waste their time on meaningless and fruitless discussions.
- (vi) **No responsibility of any member for a wrong decision:** As all the decisions of the committee are taken collectively by all the members of committee, it becomes very difficult to determine the responsibilities of an individual member, if any of the decisions of committee is wrong and against the interests of enterprise.

Suggestions for Making Committee Organization More Effective

The committee organization may be made effective by the following suggestions:

- (i) **Suitability of the committee organization:** The committee organization must be set up only when it is felt that the advantages of committee will be more than its expenses. If, it

is felt that the expenses of such committee will be more than its advantages, it should not be set up.

- (ii) **Appropriate size of the committee organization:** The size of committee must be appropriate in accordance with the size of enterprise. It is necessary so that the opinions of members of committee may be easily and conveniently exchanged.
- (iii) **Selection of capable members:** Its success depends upon the capability of the members. Therefore, only those members must be selected as the members of committee who are capable enough to discharge their duties properly and which may represent their departments properly. The members must be capable enough to understand, analyze and decide the problems.
- (iv) **Capacity of the chairman:** Success of the committee organization depends to a large extent upon the capability of the chairman. Therefore, it becomes necessary that the chairman of the committee must be selected very carefully, the person must be an experienced person who may conduct the committee meetings properly. Chairman must be a person who can move, direct and control other members of the committee.
- (v) **Clarification of scope:** An important suggestion for the success of the committee organization is that its scope must be clearly defined and properly communicated so that there may be no dispute of opinion about the functions to be performed by the committee.
- (vi) **Rights and duties of members must be specified:** Mutual trust and mutual cooperation for the members of committees is necessary for the success of committee. For developing the feeling of mutual trust and mutual cooperation, it becomes necessary that the rights and duties of all the members of committee must be clearly defined.
- (vii) **Suitability of the subjects under consideration:** The committee should consider only the proper subjects. Only those matters must be assigned to the committee which are of great importance to the enterprise. If the matter is not so important, it should not be delivered to the committee otherwise it will be wastage of time, energy and money.
- (viii) **Meetings of committee should be according to pre-determined programme:** A programme must be determined well in advance for the meetings of committee and programmes must be properly communicated to all the members of committee so that the members can prepare themselves for the discussion and decision. It will save time and make the decisions more sound and effective.

5.7 DISTINCTION BETWEEN ORGANIZATIONS

There are many points of similarities between the line organization and line and staff organization:

- (i) In both forms of the organization, business activities are divided into many departments and sub-departments.
- (ii) In both the organizations, orders and request are in linear form.
- (iii) The number of subordinates under every officer is limited.

Inspite of the above similarities, both the organizations can be differentiated on the following basis:

(a) Difference between the line organization and the line and staff organization.

S.No.	Basis of Difference	Line Organization	Line and Staff Organization
1.	Services of experts	There is no provision for the services of experts	Services of experts are made available.
2.	Principle of specialization	The principle of specialization followed	The principle of specialization followed.
3.	Elasticity	In this form of organization the elasticity is less	In this form, the elasticity is more
4.	Investigation	There is no provision for investigation	It encourages investigation.

(b) Differences between the functional organization and the line and staff organization

S.No.	Basis of Difference	Functional Organization	Line and Staff Organization
1.	Direct contact with workers	The workers are in direct contact with experts	The workers are not in direct contact with experts
2.	Order by experts		

3.	Discipline	The experts may give orders to the employees The discipline is lethargic	The experts cannot give orders to the employees There is very hard discipline
----	------------	---	--

(c) Difference between the line organization and the functional organization

S.No.	Basis of Difference	Line Organization	Functional Organization
1.	Flow of orders	The orders flow from top to bottom	Every workers gets orders and instructions from many officers at one time.
2.	Responsibility determination	Responsibility of employees can be determined easily	It is not possible to determine the responsibility of employees
3.	Specialization	It is not based on the principle of specialization	Based on the principle of specialization.
4.	Role of experts	There is no role of experts	Experts play an important role.
5.	Coordination	Coordination is easily established in the activities of the organization.	Difficult to coordinate different activities of the organization.
6.	Discipline	There is very hard discipline	The discipline is lethargic

5.8 SUMMARY

In this unit various types of organization were described. These include, line and staff, functional, matrix and committee form of organization. The concept of the line organization

holds that in any organization derived from a scalar process, there must be a single head who commands it. In the functional organization, all activities in the enterprise are grouped together according to certain functions like production, marketing, finance and personnel are put to under charge of different persons. The matrix in organization has been developed to establish flexible structures to organization has been developed to establish flexible structures to cope up with growing size and complexity of an enterprise.

5.9 GLOSSARY

Line Organization: Line organization holds that in any organization derived from a scalar process, a single head who commands it.

Matrix Organization: It is a combination of the project organization and functional organization.

Staff Organization: This refers to a pattern in which the staff specialists advice the line manager to perform their duties.

Committee: Committee is a group of individuals especially designed to take decision in matters referred to it through free interchange of ideas among its members.

5.10 CHECK YOUR PROGRESS

A. Fill in the blanks:

- a. The organization structure represents the hierarchical arrangement of various _____ in the enterprise.
- b. The _____ authority consists of experts and specialists in various fields.
- c. It is rare to find a pure _____ organization.
- d. _____ and specialization in various fields facilitates production on a large scale resulting in economy in production.

B. State whether true or false:

1. Functional organization is the oldest type of organization.
2. Line and staff organization is based on planned specialization.

3. A matrix is a group of people positioned to make decisions on matters referred to it through the free exchange of ideas among members.
4. There is no provision for investigation in a line organization.

5.11 ANSWER TO CHECK YOUR PROGRESS

A. a. Positions b. Staff c. Functional d. Standardization

B. a. False b. False c. True d. False

5.12 TERMINAL QUESTIONS

1. Discuss the different types of organization giving their merits and limitations.
2. Describe the committee form of an organization. What fundamental principles are followed in this form? Also state its merits and demerits.
3. Differentiate between:
 - a. Line organization and functional organization.
 - b. Line organization and staff organization.
 - c. Line- staff organization and functional organization.

5.13 REFERENCES

7. Fred Luthans, *Organizational Behavior*.
8. J.S. Chandan, *Management Concepts and Strategies*.
9. Arun Kumar and R. Sharma, *Principles of Business Management*
10. Laurie J Mullins, *Management and Organizational Behavior*.
11. Tripathi and Reddy, *Principles of Management*
12. Kimball and Kimball, *Principles of Industrial Organization*

UNIT- 6 DELEGATION OF AUTHORITY & DECENTRALIZATION

STRUCTURE

- 6.1 Introduction
- 6.2 Meaning of Delegation of Authority and Its Methods
- 6.3 Elements of Delegation and Its Types
- 6.4 Principles of Delegation
- 6.5 Various Steps in the process of Delegation
- 6.6 Merits of Delegation
- 6.7 Relationship of Authority and Responsibility
- 6.8 Distinction between Authority and Accountability
- 6.9 Distinction between Responsibility and Delegation
- 6.10 Difficulties in Delegation
- 6.11 Decentralization
 - 6.11.1 Essential Characteristics of Decentralization
 - 6.11.2 Gauging the Degree of Decentralization
 - 6.11.3 Advantages of Decentralization
 - 6.11.4 Disadvantages of Decentralization
- 6.12 Decentralization Vs Delegation
- 6.13 Summary
- 6.14 Glossary
- 6.15 Check Your Progress
- 6.16 Answers to Check Your Progress
- 6.16 Terminal Questions
- 6.18 References

OBJECTIVES

After reading this unit, you should be able to:

- Know the nature, concept and elements of delegation.
- Apprehend the significance and limitations of delegation.
- Understand the concept of decentralization of authority.

6.1 INTRODUCTION

Delegation is a technique by which authority passes from one managerial level to another. As organization grows in size and complexity, no single person can perform all the tasks or exercise all the authority that is needed to accomplish organizational goals. Thus, delegation of authority has become a necessity. Delegation of authority is at the core of the process of organization and entails the establishment of superior-subordinate relationships among the members of the organization. The manager to whom the authority is delegated by his superior is empowered to decide and do certain specified things: he can act on behalf of his superior as his representative in certain aspects. Delegation of authority denotes the superior vesting decision-making power in his subordinate. No one can delegate an authority which he himself does not have.

6.2 MEANING OF DELEGATION OF AUTHORITY AND ITS METHODS

Delegation means devolution of authority on subordinates to make them to perform the assigned duties or tasks. It is that part of the process of organization by which managers make it possible for others to share the work of accomplishing organizational objectives. Delegation consists of granting authority or the right to decision-making in certain defined areas and charging the sub-ordinate with responsibility for carrying through the assigned tasks.

Delegation refers to the assignment of work to others and confer them the requisite authority to accomplish the job assigned.

1. **In the words of F.G. Moore**, "Delegation means assigning work to others and gives them authority to do it."
2. **Louis A. Allen said**, "Delegation is the dynamics of management, it is the process a manager follows in dividing the work assigned to him so that he performs that part which only he, because of his unique organizational placement, can perform effectively and so that he can get others to help him with what remains".

3. **E.F.L. Brech** said, "Delegation is a process of sharing a few or all of the four elements of the management process, i.e. command, planning, co-ordination and control". He goes on to say that the delegation is not a question of issuing instructions but is a bringing down of the executive's responsibility and transmission of part or all of it to other persons.

Since one person constitutes only one man power, so F.G. Moore has once said that "Delegation, therefore, is necessary for enlarging his capacity by asking trusted subordinates to share his burden."

4. **In the words of S.S. Chatterjee**, "The very existence of organization is shattered at once. If there are no duties to be divided and no authorities to be shared in the enterprise, the existence of an organization structure is nullified and becomes absurd. Management of that organization becomes impossible without delegation."

For this reason activities are to be integrated, coordinated and unity of purpose to be achieved, this necessitates effective delegation.

METHODS OF DELEGATION

In a big manufacturing concern the following may be the methods of delegation of authority to ensure better result, unified direction and command and effective delegation:

1. **Administrative Delegation** – When a few of the administrative functions are delegated to sub-ordinate staff it is called administrative delegation. These functions are generally of routine nature, e.g. to maintain discipline, to supervise the work, to recommend for the reward or punishment etc.

2. **Geographical Delegation** – When the work of enterprise is located at different distant places it is not possible for an executive to manage the whole affairs single handed. He then proceeds to delegate his authority to those who are posted at the places where physically he cannot be present round the year. This is known as geographical method of delegating the authority.

3. **Functional Delegation** – When the enterprise is organized on the basis of functional organization, the delegation of authority is also done on the functional basis. All the heads are

given to manage their departments according to their skill, knowledge and experience of course, they are accountable to the chief executives.

4. **Technical Delegation:** This method of delegation of authority is based on technical knowledge and skill. Here the authority is delegated in order to get the advantages of expert and experienced hands and their technical skill.

6.3 ELEMENTS OF DELEGATION AND ITS TYPES

The elements of delegation of authority involve three steps:

1. **Authority:** The superior grants authority to the subordinate to carry out the assigned task or duty. This may include right to use resources, spend money, engage people, etc.
2. **Responsibility:** The superior entrusts some responsibility or duty to a subordinate.
3. **Accountability:** The last step in delegation is concerned with creating an obligation to carry out duty or responsibility and render an account of the results achieved through the use of delegated authority. The subordinate must be held accountable for the exercise of authority granted to him. By accepting the duties and authority, a subordinate becomes responsible to his superior.

6.3.1 Authority

Authority is the sum of the rights entrusted to an individual to make possible the performance of the work delegated. It includes such rights or powers as that spending money, of using certain kinds of quantities of materials, of hiring and firing people.

Allen talks of authority of knowledge, authority of position and legal authority. Authority of knowledge according to him is possessed generally by the staff specialists appointed by the company. The consultants more often influence the action of persons in line by virtue of the knowledge possessed by them. Similarly, some persons acquire authority by virtue of their position. For instance, a person close to the person having line authority wields considerable authority. A Private Secretary to Managing Director or even a Staff Assistant may have no formal power and authority. Legal authority is the authority which is entrusted to a person by the law of the land. A company, for instance, is a legal person which enjoys several rights under the Companies Act. The organizations are built on authority relationships between their

members. Authority is a building force in an organization and is the key to the executive job. An executive cannot get things done through others without the right to command them.

6.3.2 Responsibility

Responsibility represents the work or duties assigned to a person by virtue of his position in the organization. It refers to the mental and physical activities which must be performed to carry out the task or duty. That means every person who performs some kind of mental or physical activities as an assigned task has responsibility. In order to enable the subordinates perform his responsibility well, the superior must clearly tell the former as to what is expected of him. In other words, the delegator must determine clearly the task or duty that is assigned to the delegatee. The duty must be expressed either in terms of function or in terms of objectives. If a subordinate is asked to control the operations of a machine, the duty is in terms of function. But if he is asked to produce a certain number of pieces of a product, the duty is in terms of target or objective. Determination of duties in terms of objective will enable the subordinate to know by what standards his performance will be evaluated.

According to Alwin Brown, responsibility is capable of being understood in two senses. In one, it denotes the definition of a part or role to be performed in administration. In the other, it denotes the obligation for the performance of that part. Two meanings are reciprocal. In most circumstances, there is so little difference between the concept of the part and the concept of the obligation that it is more useful to view them as inseparably-related aspects of the same concept, and to refer to them by single term. Taken in this sense, many authors have held that responsibility cannot be delegated. But authority and responsibility are co-extensive; and responsibility or duty can be delegated within the framework of authority. In fact, it is the accountability which cannot be delegated. Therefore, it is essential to make a distinction between responsibility and accountability.

Responsibility or duty implies the task assigned to a person to be completed in accordance with the standards laid down. It is his superior who has entrusted this task to him. He should not find any difficulty in expecting it because his superior knows his plus and minus points at work. He would not assign a task which the subordinate is unable to complete. In fact he has divided and sub-divided the task pertaining to this division in such a manner that each one of his subordinates gets the task of his choice. Hence there is no ground for the subordinate

to object the duty assigned to him by his superior unless the superior has acted deliberately in an indicative manner. If he does so, there are other ways to remedy the situation.

Whenever the superior assigns any task to his subordinate, it is implied that he has delegated his responsibility. In this process, though he may hold his subordinate accountable for the task delegated to him, but he continues to be accountable to his own boss on the ground that accountability can never be delegated.

The extent of authority delegated should be commensurate with the responsibilities or duties assigned. In other words, there must be a balance between responsibility and authority. However, in practice, it is very difficult to achieve a balance between responsibility and authority.

According to McGregor, the realities of business place most managers in situations where they cannot effectively control everything that affects the results they are attempting to achieve. Uncontrollable factors include unexpected changes in consumer preferences, action of labour unions, government legislations and the fluctuations of business cycles. The recognition of these problems does not reduce or destroy the utility of this concept. If a manager is abreast of the time, he will make allowance for the unforeseen events outside the control of the subordinate. Many factors prevent a superior to delegate sufficient authority. The risk of losing control is an important factor. Real or presumed non-availability of qualified subordinates, lack of delegating skills and enhancement of one's indispensability are the other factors which cause an imbalance of responsibility and authority. An effective manager is willing to delegate authority as needed to accomplish the desired objectives.

Responsibility cannot be delegated or transferred. The superior can delegate to subordinate the authority to perform and accomplish a specific job. But he cannot delegate responsibility in the sense that once duties are assigned, he is relieved for his responsibility for them. This delegation of tasks does not absolve the superior from his own responsibility for effective performance of his subordinate. In other words, we can say that responsibility is divided into two parts at the time of delegation: (a) operating responsibility; and (b) ultimate responsibility. The subordinate assumes only the operating responsibility for the task. The superior retains ultimate responsibility for getting the job done. If the subordinate fails to perform the job (operating responsibility), the superior is held responsible for this failure (ultimate responsibility). To explain that the ultimate responsibility cannot be shifted or

reduced by assigning duties to another. Newman cites the example of a person borrowing money from the bank and then realigning it to his son. This transaction with his son in no way reduces his own obligation and responsibility to repay the money to the bank.

Responsibility may be specific or continuing. It is specific when on being discharged by a subordinate it does not arise again. Thus, a consultant's responsibility is specific. It ceases when the assignment is completed. The responsibility of a foreman is, however, of a continuing nature.

6.3.3 Accountability

Accountability is a logical derivative of authority. When a subordinate is given an assignment and is granted the necessary authority to complete it, the final phase in basic organization relationship is holding the subordinate responsible for results. In other words, the subordinate undertakes an obligation to complete the assignment by the fair use of authority and account for the discharge of responsibility assigned.

Accountability is the obligation to carry out responsibility and exercise authority in terms of performance standards established by the superior. Creation of accountability is the process of justifying the granting of authority to a subordinate for the accomplishment of a particular task. In order to make this process effective, the standards of performance should be determined before assigning a task and should be accepted by the subordinate. An important principle of management governing this basic relationship is that of single accountability. An individual should be answerable to only one immediate superior and no more.

The extent of accountability depends upon the extent of delegation of authority and responsibility. A person cannot be held answerable for the acts not assigned to him by his superior. For instance, if the production manager is given responsibility and authority to produce a specified quantity of certain product and the personnel department is given responsibility and authority for the development of workforce, the production manager cannot be held accountable for the development of workforce. "Accountability is, by the act which creates it, of the same quality and weight as the accompanying responsibility and authority".

6.3.4 Accountability cannot be delegated

Though it is incurred as a result of assignment of duty and conferring of authority, accountability in itself cannot be delegated. The diligent cannot abdicate responsibility. He remains accountable to his superior for that which the latter has delegated to him. Since accountability cannot be delegated, the accountability of persons higher in the hierarchy for the acts of subordinates is unconditional.

TYPES OF DELEGATION

The important kinds of delegation of authority are as follows:

1. General and Specific Delegation

(i) General Delegation: It is that delegation in which the authority is given to perform general managerial functions, like planning, organizing, directing etc. The sub-ordinate managers perform these functions and enjoy the authority required to carry out these responsibilities. The Chief Executive exercises over all control and guides the subordinates from time-to-time.

(ii) The Specific Delegation: Specific Delegation relates to a particular function or an assigned task. The authority delegated to the production manager for carrying out this function will be a specific delegation. Various departmental managers get specific authority to undertake their department duties.

2. Formal or Informal Delegation

(i) Formal Delegation: Formal delegation has been considered as a part of organizational structure. Whenever a task is assigned to a person, the required authority is also given to him. This delegation is a part of the normal functioning of the organization. Every person is automatically given authority as per his duties. When production manager gets powers to increase production then it is formal delegation of authority.

(ii) Informal Delegation: This delegation does not arise due to position but it arises according to the circumstances of the case. A person may undertake a particular task not because he has been assigned it but because it is necessary to do his normal work.

3. Written or Unwritten Delegation

- (i) **Written Delegation:** Written delegation is normally given through letters, instructions, circulars etc. Whatever has been delegated it must be in writing.
- (ii) **Unwritten Delegation:** Unwritten delegation is given to the person concerned not in any particular way but through conventions, customs and usages the other party has to do work accordingly.

4. Downward or Upward Delegation

- (i) **Downwards Delegation:** Downwards delegation is a common type of delegation and is used in every type of the working concern. This delegation has been considered as a superior's delegation of authority to his immediate subordinate.
- (ii) **Upward Delegation:** This type of delegation takes place when a subordinate assigns some of his tasks to his superiors. This is an uncommon type of delegation and its instances are very rare.

6.4 PRINCIPLES OF DELEGATION

The following principles may be considered as essential for effective delegation of authority:

- (i) **There must be Proper Planning:** An executive must plan as to what is to be achieved, if delegation of authority is made. He should define clearly the objectives to be achieved and the functions to be performed by delegating the authority. The job should be designed and divided in such a way as to achieve the objectives. The subordinates must understand clearly what activities they must undertake and what delegator expects from him.
- (ii) **Select appropriate subordinate of delegation:** The subordinate should be selected in the light of the work to be achieved. The qualification of the individual concerned may influence the nature of the delegation of authority. This is the purpose of the managerial function of staffing, most carefully considered.
- (iii) **Maintain purity of authority and responsibility:** Authority should be delegated commensurate with responsibility. This is on the assumption that where subordinates are held responsible for performance of certain duties it is fair that they should be vested with the necessary authority to carry out such duties. Although technically it would be inaccurate to

stress the questions of equality as the executive does without a certain amount of authority, there must be adequate correlation between duty and authority delegated.

(iv) **Ensure unity of command:** This is one of the common principles of organization advocated by Henry Fayol which stresses that subordinates should have only one boss to whom he should be accountable, to avoid confusion and friction. Of course, in practice, it is not possible to follow this principle.

(v) **Maintain adequate communication:** There should be free and continuous flow of information between the superior and the subordinate with a view to furnish the subordinate with relevant information to help him make decisions and also to interpret properly the authority delegated to him. Plans may change and decisions have to be taken in the light of the changed conditions.

(vi) **Reward effective delegation:** Effective delegation and successful assumption of authority must be rewarded. This will provide a proper environmental climate for fuller delegation and effective assumption of authority.

(vii) **Establish a climate of confidence:** The subordinate to whom authority is delegated must generally feel free from fear and have a feeling of confidence that delegation will not result in punishment but is an opportunity for his own self-development and growth.

(viii) **Establish a strong belief in delegation:** For delegation to be successful, the man who delegates must himself be convinced of the need and benefits of delegation. He must also be willing to allow his subordinates to make mistakes although he can be strict if the same mistake is repeated.

(ix) **Proper Selection and Training of Personnel:** Selection of personnel to various jobs should be fair and just. It should not be arbitrary but it must be based on certain principles. Only right persons should be placed on the right job. The person selected must also be given proper training to enable him to handle the post efficiently and to perform the assigned job properly. Proper selection and training helps to develop their self-confidence and morale.

(x) **Proper Control Techniques be Developed:** In a good organization proper control techniques be developed and major deviations from standard should be checked. There should be no interference in day-to-day functioning of subordinates.

6.5 VARIOUS STEPS IN THE PROCESS OF DELEGATION

The following steps are essential and they must be kept in mind while delegating:

1. The delegation should define the result expected from his subordinates.
2. Duties should be assigned according to the qualifications, experience and aptitude of the subordinates. They may be described either in terms of activity or set of activities to be performed by a subordinate or in terms of results that are expected from the performance of activities.

For Example: How much sale is to be achieved by salesman? It is better to assign duties in terms of results expected, because the subordinate knows in advance the terms in which his performance will be judged, while assessing duties and responsibilities.

The delegator must ensure that subordinates understand and accept the assignment, otherwise delegation would be meaningless or ineffective.

3. **Adequate authority must be given to subordinates:** The authority to be delegated to each particular sub-ordinate is determined in advance. The delegator confers upon the subordinate the right to act in a specified way within limited boundaries. It decides what actions we may take and what action we cannot take. Proper authority to any sub-ordinate not given in time, will not give or produce expected results.

For Example: A sales manager, charged with the responsibility of increasing sales of company's product should be given authority to hire competent salesmen, pay wages and incentives, allow concessions, within specified limits.

4. **The subordinate must produce expected results from the task assigned to him:** It is obligatory on the part of the subordinate that he must give satisfactory performance from the tasks assigned. He becomes answerable for the proper performance of the assigned duties and for the exercise of the delegated authority. Authority without accountability is likely to be misused. Accountability without authority may be frustrating to the subordinates. The extent of accountability depends upon the extent of delegated authority and responsibility. A subordinate cannot be held responsible for acts not assigned to him by his superior. He is accountable only to his immediate superior.

5. Proper Evaluation of the Performance must be made: In the end, information and control system must be established to check and evaluate the performance of the subordinates to whom authority has been delegated. Duties, authority and responsibility are the three interdependent essential steps in the process of delegation. In this connection an eminent authority H.W. Newman has said "These three inevitable attributes of delegation are like a three legged stool, each depends on the others to support the whole and no two can stand alone." What to delegate and when to delegate are two ticklish questions which a delegator has to answer to himself within the framework of the organization?

An executive, according to Louise A. Allen, can follow the under mentioned rules while delegating:

1. Established goals that are to be attained.
2. Define and enumerate the authority which the delegatee can exercise and the responsibility he is to shoulder.
3. Motivate the subordinate and provide him sufficient guidance. If necessary proper and adequate training should also be given to the delegatee before authority is delegated to him.
4. Ask for the completed work. In between if any help is needed by the delegatee he should be provided with such help either directly through someone who knows the work and is writing of help.
5. Establish an adequate control so as to supervise and provide necessary guidance.

6.6 MERITS OF DELEGATION

The advantages of delegation are as follows:

- (i) **It avoids wastage of time:** Present-day management is a complicated process. A manager has to perform various functions as a matter of routine work. It is not possible for him to give proper attention to all matters coming to him. Delegation helps him in transferring the less important subject to his juniors and attends to more important works.
- (ii) **It helps in training the new incumbents:** The lower units that use the delegated power, get a spontaneous feel of their future responsibility. They become aware of the works at the

higher level to which they may be promoted. Delegation also helps in developing the managerial personnel within the organization.

(iii) **It avoids over-work:** Delegation shifts some portions of the responsibility and work from the shoulders of the manager. To quote Beach: "The over worked manager who learns the art of delegation, is at one and the same time able to relieve himself of some of his burden, increase the competence of his men, and raise the level of accomplishment of his unit.

(iv) **It develops increased sense of responsibility:** Delegation generates an increased sense of responsibility in the subordinate personnel. It also increases their working capacity and helps in enhancing their unspotted caliber which could be helpful for management. Delegation also helps in avoiding any kind of act at a higher level which may, otherwise undermine the powers vested in the lower level units.

(v) **It avoids delay:** Delegation helps in taking timely and accurate decisions. The personnel at lower level, being delegated, act quickly which serves the organization with due economy, efficiency and rapidly.

6.7 RELATIONSHIP OF AUTHORITY AND RESPONSIBILITY

In every business unit, internal organization is necessary for its efficient and smooth running. Under internal organization, duties are determined and distributed among the employees. All activities are combined and coordinated. The lines of authority are to be determined, a well recognized principle, to be followed for any organization and management.

In the internal organization of any concern, there must be a proper assignment of duties among the various personnel. This means that some people assign and some others have to perform those duties. The former people have an authority. The latter are subordinates to the former. The relationship of authority and subordination among the various personnel and groups should be properly determined. The position of each individual is to be fixed, i.e., whether he is to be in the position of authority or in the subordinate position. This work is very important. In this connection, the following principle is to be followed. The greater the responsibility attached to a post, the higher will be the position of the person holding the post, in the hierarchy. Thus, it is stated that authority should go with responsibility.

When the duties are assigned, there will be two types of employees. Some have authority and others take up responsibility. The former occupy a superior position, while the latter are placed in a subordinate position. Authority refers to the right to make decision and to command subordinate to follow these decisions. It is the supreme coordinating power and is very important for the managerial job. Responsibility refers to the obligation of a subordinate. Every subordinate has to perform the duty assigned to him. The essence of authority is obligation. It arises from the superior-subordinate relationship. It has a meaning, only when it is applied to a person. Authority seems to flow from the superiors to the subordinates. Every manager can see that his orders are executed by persuasion, coercion or economic social sanctions. Persuasion is the best means. Otherwise, the task may not be successfully accomplished, responsibility cannot be delegated. But authority can be delegated.

When these expressions 'Authority' and 'Subordination' are used, they should not create a sense of superiority or inferiority in the minds of the employees. Authority cannot be concentrated in the hands of one or a few individuals. It appears to flow from top to bottom. But it is not really so. There must be de-personalization of orders. This will help in developing good industrial relations among all the employees.

In management literature, responsibility is one of the most misunderstood words, usually, responsibility is referred to as 'Delegation of Responsibility' holding a person responsible or carrying out a responsibility. People use the word responsibility in different senses as referring to a duty, an activity or an authority. Actually responsibility can be defined as the 'obligation' of a subordinate to perform a duty which has been assigned to him.

Thus, obligation is the essence of responsibility. Normally the superior subordinate relationship gives rise to this responsibility as the superior is vested with the authority to require specified services from his subordinates. In case of business, this authority is generally a result of the contractual arrangement under which the subordinate has agreed to perform certain services in return for a monetary reward. In this sense, authority flows from the superior to the subordinate manager to whom certain duties are assigned and responsibility is the obligation of the subordinate to accomplish these duties. Responsibility can be discharged by a single action or it may be a continuous obligation.

6.8 DISTINCTION BETWEEN AUTHORITY AND ACCOUNTABILITY

The term 'Accountability' is used by a few writers in the field of management to indicate the managers' liability for the proper discharge of the duties by his subordinates. In the military, the concept of accountability is used to indicate the duty and an officer to maintain accurate records and to safeguard public property and funds.

Thus, the three words confusingly used in varying sense in management literature are authority, responsibility and accountability. A less confusing use would be to use the word 'authority' as referring to the power to get something done, the word responsibility as the liability of the individual for failing to discharge his responsibility. One is thus accountable for failures to his boss. Accountable is similar to tendering of accounts in its case, which refers to discharging of the responsibility. To carry out responsibility, a manager requires adequate authority or power.

6.9 DISTINCTION BETWEEN RESPONSIBILITY AND DELEGATION

Whilst a manager can delegate his authority to his subordinates, responsibility cannot be so delegated. A manager is responsible for the performance of his duties even though he may delegate to a subordinate, authority to accomplish a service and the subordinate also in his turn may delegate a part of authority received by him. Therefore, delegation does not absolve a manager of his own responsibilities to perform his duties. In short no manager can shift responsibility to his subordinates.

For example, the managing director of a company employed by the board of directors cannot avoid total responsibility for the conduct of the enterprise. Therefore, responsibility cannot be delegated in this sense. A manager cannot relieve himself of his responsibility although he can delegate authority and assign duties to his subordinates.

6.10 DIFFICULTIES IN DELEGATION

There is a fear aspect in delegation which plays a dominant role in a decision as to "what to delegate" and "to whom to delegate". Executive knows for certain that once authority is delegated they will lose the grip over their subordinates and also control over the operations. It is natural that the executives may not like to lose either the grip or control over the operation. But the important psychology is that by their nature executives have no confidence in their

subordinates. They feel that the subordinates are not capable of shouldering the responsibility, therefore, the question of delegation of authority does not arise.

Sometimes, executives suffer from inferiority psychosis. They know for certain that though they occupy a position of strength but their knowledge and skill are not up to the mark. Their subordinates are well equipped and thus they may do the assigned job well. No executive would like to delegate when he feels that his subordinate may surpass him.

From the above discussion we may come to a conclusion that there are three types of fears which discourage delegation and thus create difficulties in delegation. They are:

1. Fear of losing the grip and control over the operations;
2. Fear of not a better performance by the sub-ordinate to whom the authority may be delegated; and
3. Fear of better performance by the subordinate to whom the authority may be delegated.

The above difficulties arise out of:

- (i) Luck of mutual confidence;
- (ii) Non-existence of atmosphere of team-work;
- (iii) Non independence in thinking and behavior;
- (iv) No proper and ambiguous definition of common goals to be achieved;
- (v) No inter-exchange of ideas and suggestions;
- (vi) No favorable management climate;
- (vii) Existence of element of fear and frustration ; and
- (viii) Incapable hands manning the executive positions.

Delegation is an important managerial technique. Every effort should be made to encourage delegation. This creates a sense of belonging among subordinates. It develops the personality of the subordinates and helps in evaluating the managerial performance. It also

induces a sense of security among both the executives and their subordinates. A favorable management climate should be created for encouraging delegation.

6.11 DECENTRALIZATION

Decentralization is a word that we frequently hear take about by political leaders and business managers. Many of them view decentralization as a panacea or a magical device that will compensate for poor management, encourage participation, increase efficiency, and raise morale. Most people do not have a clear view of what decentralization is and, as often as not when an organization is having "decentralization", it is for the wrong reasons and in the wrong way the term is understood and used.

Earnest Dale mentions four criteria to measure the extent of decentralization in an organization. He states that whenever decentralization is greater.

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

The way many people use the term, decentralization mean about the same thing as delegation—simply pushing authority down to subordinates. But decentralization means much more than simple delegation. Decentralization is a philosophy of the organization and management, one that implies both selectively determining what authority to push down into the organization; developing standing plans (such as policies) to guide subordinates who have this authority delegated to them; and implementing selective but adequate controls for monitoring performance. Thus, decentralization is a philosophy of organization and management which involves both selective delegation of authority as well as concentration of authority through the imposition of policies and selective but adequate controls.

According to McFarland, decentralization is a situation in which ultimate authority to command and ultimate responsibility for results is localized as far down in the organization as efficient management of the organization permits.

According to Allen, decentralization refers to the systematic effort to delegate to the lowest levels all authority except that which can only be exercised at central points.

Thus, decentralization means reservation of some authority (to plan, organize, direct and control) at the top level and delegation of authority to make routine decisions at points as near as possible to where action takes place.

6.11.1 Essential Characteristics of Decentralization

The essential characteristics of decentralization are:

- (i) **Decentralization not the same thing as delegation:** It is something more than delegation. Delegation means demi-transfer of responsibility and authority from one individual to another. But decentralization means scattering of authority throughout the organization. It is the diffusion of authority within the entire enterprise. Delegation can take place from one person to another and be a complete process. But decentralization is complete only when the fullest possible delegation is made to all or most of the people. Under delegation control rests entirely with the diligent, but under decentralization, the top management may exercise minimum control and delegate the authority of controlling to the departmental managers. It should be noted that complete decentralization may not be possible or desirable, but it certainly involves more than one level in the organization.
- (ii) **Decentralization is distinct from dispersion:** Decentralizing is often confused with the separation of physical facilities which is not correct. Dispersion occurs when plants and offices are located at different places with physical distance between them. Performance of work in dispersed plants and offices does not necessarily lead to decentralization. Decentralization can proceed without separation of facilities and facilities can be separated without decentralization. A company may be highly decentralized even though all physical facilities and employees are located in a single building. Thus, decentralization can take place even without dispersion.
- (iii) **Decentralization is not a type of organization:** Some people believe that a company can decentralize by changing its organizational structure. This is not true. Decentralization may be achieved even without changing the organizational structure as it refers primarily to the systematic delegation authority throughout the organization industries in which markets are

less uncertain, production processes technologically less dynamic and competitive relationships more stable, tend to become more centralized.

6.11.2 Gauging the Degree of Decentralization

How decentralized a particular organization is? There are no hard and fast rules, but the following guidelines may be used to test the degree of decentralization in a company:

- (i) The narrower the breadth of the control imposed on managers, the greater the decentralization: Thus, a company in which each product-division manager simply has to report once or twice a year on the rate of return his division has earned on its investment is more decentralized. The division in which a variety of day-to-day production, marketing, and personnel decisions are monitored is less decentralized;
- (ii) The greater the discretion permitted by the company's policies, procedures and rules, the greater the decentralization;
- (iii) The greater the breadth of decision in terms of the number of functions they cover, the more the decentralization. Thus, the company in which division managers are authorized to take production, marketing and personnel decisions is more decentralized than one in which the managers can take only production and personnel decisions;
- (iv) The less a subordinate has to check with his superior before taking decisions, the greater is the degree of decentralization – Thus, a company in which a manager does not have to check at all with his superior is more decentralized than one in which the manager must get most of his decisions approved beforehand;
- (v) The closer the level to which the decision is made in the relation to the point where the problem arise, the greater the decentralization – Suppose a customer in Maharashtra has a problem, and the western division manager is authorized to make the necessary decisions, then to that extent the company is more decentralized than if the boss in the New Delhi had to make the decisions; and
- (vi) The more important are the decisions that can be made at the lower levels, the greater the decentralization – For example, a company in which divisional managers can make

equipment purchase decisions of up to Rs. 500,000 is more decentralized than one in which they are authorized to make these decisions up to a limit of Rs. 1,00,000.

6.11.3 Advantages of Decentralization

The merits of decentralization are listed below:

- (i) It leads to a competitive climate in the organization.
- (ii) It relieves the management of much workload;
- (iii) It makes jobs at the lower levels of the organization more attractive and interesting. As a result, the level of motivation of the employee increases;
- (iv) It encourages initiative at lower levels where the employees are allowed to participate in the decision-making process;
- (v) Decision made closer to the actual situations is likely to be more realistic. Effective decisions are possible because of the speed and first-hand knowledge that decentralization provides.

6.11.4 Disadvantages of Decentralization

- (i) It increases the administrative cost due to duplication of specialized services and the appointment of capable executives at lower levels;
- (ii) It becomes difficult for top management to exercise control over what people at lower levels are doing or even to know what decisions they are taking;
- (iii) Emergency situations cannot be tackled properly in decentralized structure. Adjustment to changing conditions may be difficult; and
- (iv) It hampers uniformity in decision making and consistency of procedures.

6.12 DECENTRALIZATION VS. DELEGATION

Though both delegation and decentralization are related concepts, but the distinction between the two terms must be clearly understood. Decentralization could be differentiated from delegation in the following way:

- (i) Delegation creates authority-responsibility relationship between a superior and his subordinates, whereas decentralization refers to the creation of semi-autonomous decision-making units or even profit centres functionally related to the top management. In other words, decentralization is diffusion of decision making authority throughout the multiple layers of the organization;
- (ii) Decentralization is simply not an extension of delegation. The purpose of delegation may be confined to relieve the excessive burden of key managerial personnel, but decentralization has a deeper meaning bordering on a new philosophy of organization and management;
- (iii) Delegation is a process whereby the superior assigns certain tasks and responsibilities within his control to his subordinates, immediately vests part of his decision-making authority in them and precisely it is an obligation from them for proper discharge of authority conferred upon them and for effective performance in the area of delegated activity. But, on the other hand, decentralization refers to structural dispersal of authority for decision making in various facets of organizational operations throughout the organization in the form of semi autonomous units, subject to overall control by the top management.
- (iv) Delegation takes place between a superior and a subordinate and is a complete process. It may consist of certain tasks alone. But decentralization involves spreading out the total decision-making power throughout the organization.
- (v) Sheer pressure of managerial workload forces managers to delegate a part of their burden to their subordinates, as a matter of necessity with few alternatives. Decentralization, on the other hand, could be only one of the options open to an enterprise out of several alternative ways of organizing expanding operations. This means that delegation of authority could take place without decentralization, whereas there can be no decentralization without delegation of authority.
- (vi) In case of delegation of authority, the diligent has directive responsibility in relation to his subordinates. But in a decentralized setting, direction is to a large extent substituted by control by the top management. The control mechanism is also elaborate so as to ensure that the dispersal of authority strengthens the entire organization and that the semi autonomous units have a central focus on viability and vitality of the organization; and

(vii) Delegation could be a routine administrative activity involving only managers and their subordinates while decentralization is a conscious and deliberate organizational action with strategy overtones, to manage growth and expansion under conditions of environmental pressures, challenges and opportunities.

6.13 SUMMARY

Delegation of work permits reduction in the number of objects to which attention and effort must be directed and has been recognized as the best means of making use of individuals and group of people. Formal delegation is the delegation of authority as per the organizational structure. Whereas, informal delegation of authority is through informal relations. The other type of delegation is bottom up or lateral delegation. It could also be general or specific delegation. There are three elements of delegation and these are (i) authority (ii) responsibility and (iii) accountability. Authority is the sum of the rights entrusted to an individual to make possible the performance of the work delegated. Responsibility denotes the work or duties assigned to a person by virtue of his position in the organization. Accountability is a logical derivative of authority. It is the obligation to carry out responsibility and exercise authority in terms. Decentralization is a philosophy of organization which involves both selective delegation and concentration of authority through the imposition of policies and adequate controls.

6.14 GLOSSARY

Delegation: Delegation refers to entrustment of responsibility and authority from one individual to another.

Responsibility: Means the work of duties assigned to a person by right of his position in the organization.

Authority: Authority is the right or power granted to an individual to make possible the performance of work assigned.

Accountability: Accountability is the obligation to carry out responsibility and exercise authority in terms of performance standards established.

Decentralization: Decentralization means dispersal of decision making power to the lower levels of organization.

6.15 CHECK YOUR PROGRESS

A. Fill in the blanks:

- a. Delegation refers to the assignment of work to others and confer them the requisite _____ to accomplish the job assigned.
- b. The extent of authority delegated should be _____ with the responsibilities or duties assigned.
- c. Effective delegation and successful assumption of authority must be _____.
- d. The extent of _____ depends upon the extent of delegated authority and responsibility.

B. State whether the following statements are True or False:

- a. Delegation does not generate an increased sense of responsibility in the subordinate personnel.
- b. Whilst a manager can delegate his authority to his subordinates, responsibility cannot be so delegated.
- c. Decentralization is complete only when the fullest possible delegation is made to all or most of the people.
- d. Decentralization leads to a competitive climate in the industry as a whole.

6.16 ANSWERS TO CHECK YOUR PROGRESS

A. a. Authority b. Commensurate c. Rewarded d. Accountability

B. a. False b. True c. True d. False

6.17 TERMINAL AND MODEL QUESTIONS

1. What is meant by decentralization of authority? Distinguish between delegation and decentralization of authority? How would you decide the degree of decentralization?
2. State the advantages and limitations of decentralization

3. "Delegation and decentralization are interchangeable terms in management and organization theory". Comment.
4. "Delegation is the key to administrative effectiveness". Elucidate.
5. Explain the term 'Decentralization' and give its principal advantages. What are the factors that govern the degree of decentralization in an organization?
6. Distinguish between:
 - (a) Authority and responsibility
 - (b) Responsibility and delegation
 - (c) Authority and accountability

6.18 REFERENCES

1. Henry Fayol, General and Industrial Managements, McGraw-Hill, New York.
2. Douglas S. Basil, Leadership Skills for Executive Action, American Management Association, New York.
3. E.F.L., Brech, The Principles and Practice of Management, Sir Pitman & Sons, London.
4. Prasad, Manmohan, Management Concepts and Practices, Himalaya Publishing House.
5. Bhattacharya, D K, Human Resource Planning, Excel Books.
6. Robbins, S P, Organizational Behavior, Prentice Hall.

UNIT - 7 DECISION-MAKING

Structure

- 7.1 Introduction
- 7.2 Decision and Decision-making
- 7.3 Features of Decision-making
- 7.4 Process of Decision-making
- 7.5 Types of Decisions
- 7.6 Decision-making Conditions
- 7.7 Models in Decision-making
- 7.8 Individual and Group Decision-making
- 7.9 Decision-making and Creativity
- 7.10 Decision-making and Planning
- 7.11 Summary
- 7.12 Glossary
- 7.13 Check Your Progress
- 7.14 Answers to Check Your Progress
- 7.15 Terminal Questions
- 7.16 References

Objectives

After reading and studying this unit, you should be able to:

- Define decisions and decision-making.
- Explain the different types of decisions and the conditions of decision-making.
- Describe the process of decision-making and the various phases of the process.
- Explain various techniques which help managers to take better decisions.
- Relate planning and creativity with decision-making.

7.1 Introduction:

Decision-making is common to all of us, in our day-to-day lives. It is an important part of management process. Managers at all levels and in every organization are involved in decision-making. It is also something used as a measure to judge the quality of an individual manager

or management team. In business world decision-making play's a important role, it is done in a highly systematic and rational manner as this act or process affects the efficiency of business.

In this unit we will be discussing on managerial decision-making, we will also be discussing apart from its features and process, the complexities involved in it and various techniques for making decisions.

7.2 Decision and Decision-making

Though decision and decision making is almost the same thing; yet conceptually there is a difference between the two. Let us, therefore define them separately.

Decision

A decision may be defined in terms of commitment of resources – raw materials, machinery, finances, time, efforts, etc. in a particular channel of thinking and action. Decisions are important as they determine both managerial and organizational actions. A decision may be defined as- a course of action which is consciously chosen from among a set of alternatives to achieve a desired result. It represents a well-balanced judgment and a commitment to action.

“A decision is a conscious choice to behave or to think in a particular way in a given set of circumstances. When a choice has been made, a decision has been made.” – J.W. Duncan.

Decision making

Decision-making is an essential aspect of modern management in fact it is an indispensable component of the management process itself. Decision-making is the key part of manager's activities. Decision-making can be regarded as the mental process resulting in the selection of a course of action among several alternative scenarios. Every decision making process produces a final choice. The output can be an action or an opinion of choice.

In other words, decision-making is the process of selecting the best alternative course of action after evaluating every alternative, among a number of alternatives available to management or developed by management.

“Decision-making is a course of action chosen by a manager as the most effective means at his disposal for achieving goals and solving problems.” -Theo Haimann.

“Decision-making is the selection of a course of action from among alternatives; it is the core of planning.” – Koontz and Weihrich.

“The business executive is by profession a decision-maker. Uncertainty is his opponent, overcoming it is his mission. Whether the outcome is a consequence of luck or wisdom, the moment of decision-making is without doubt the most creative event in the life of the executive.” – John MacDonald.

From the above definitions of decision and decision-making, we can determine that decision making is a process and a decision is an outcome of this process.

Accordingly, the better the decision-making process is, better would be the decisions emerging out of it.



7.3 Features of Decision-making

Decision-making has the following features:

1. **Decision making implies choice / Alternatives:** Decision-making is fundamentally choosing between the alternatives. In decision-making, various alternatives are to be considered critically and the best one is to be selected.
2. **Continuous activity/process:** Decision-making is a continuous and dynamic process. It pervades all organizational activity. Managers have to take decisions on various policy and administrative matters. It is a never ending activity in business management.
3. **Analytical-intellectual activity:** Decision-making is a mental as well as intellectual activity/process and requires knowledge, skills, experience and maturity on the part of decision-maker. It is essentially a human activity.
4. **Goal oriented process:** Decision-making is a goal-oriented process. Decisions are usually made to achieve some purpose or goal. Decision-making aims at providing a solution to a given problem/ difficulty before a business enterprise.
5. **Means and not the end:** Decision-making is a means for solving a problem or for achieving a target/objective and not the end in itself.
6. **Relates to specific problem:** Decision-making is not identical with problem solving but it has its roots in a problem itself.

7. **Pervasive function:** Decision-making process is all pervasive. This means managers working at all levels have to take decisions on matters within their jurisdiction.
8. **Responsible job:** Decision-making is a responsible job as wrong decisions prove to be too costly to the Organization. Decision-makers should be matured, experienced, knowledgeable and rational in their approach. Decision-making need not be treated as routing and casual activity. It is a delicate and responsible job.
9. **Commitment of time effort and money:** Decision-making implies commitment of time, effort and money. The commitment may be for short term or long-term depending on the type of decision. Once a decision is made, the organization moves in a specific direction, in order to achieve the goals.
10. **Human and social process:** Decision-making is a human and social process involving intellectual abilities, intuition and judgment. The human as well as social imprints of a decision are usually taken into account while making the choice from several alternatives.

7.4 Process of Decision-making

Decision-making is a tough job, it is an end result of deliberation, evaluation, intuition and thought. Decision-making is affected by a number of factors; hence a systematic approach or adopting a procedure will help a manager to take good decision. The process of decision-making may vary due to nature of problem, type of organization and various other factors and identifying universal steps in decision-making is difficult. However, some of the common steps involved in normal situations are:

1. Defining / identifying the managerial problem,
2. Analyzing the problem,
3. Developing alternative solutions,
4. Selecting the best solution out of the available alternatives,
5. Converting the decision into action, and
6. Feedback or follow-up

The figure given below suggests the steps in the decision-making process:-

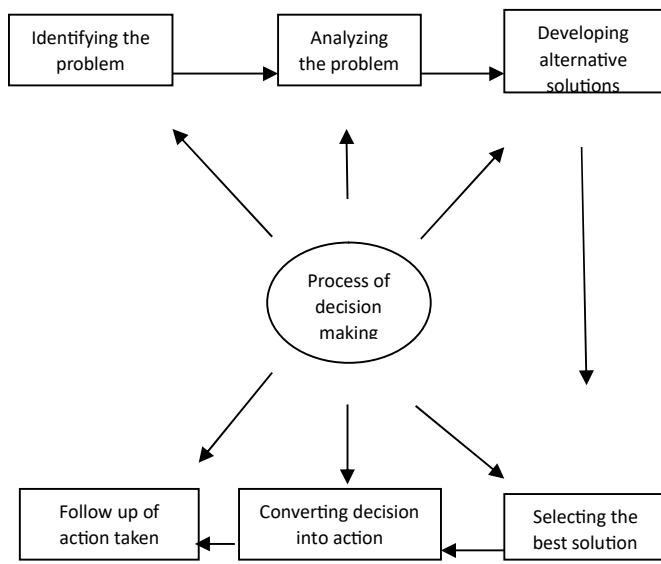


Fig 1: Decision making process

Now, let us discuss these steps briefly:

1. Identifying the Problem: Problem identification is the initial step of decision-making process. Information relevant to the problem should be gathered so that critical analysis of the problem is possible. This is how the problem can be diagnosed. Clear distinction should be made between the problem and the symptoms which may cloud the real issue. In brief, the manager should search the 'critical factor' at work. It is the point at which the choice applies. Similarly, while diagnosing the real problem the manager should consider causes and find out whether they are controllable or uncontrollable.

2. Analyzing the Problem: After defining the problem, the next step in the decision-making process is to analyze the problem in depth. This is necessary to classify the problem in order to know who must take the decision and who must be informed about the decision taken. Here, the following four factors should be kept in mind:

1. Futurity of the decision,
2. The scope of its impact,
3. Number of qualitative considerations involved, and
4. Uniqueness of the decision.

This step also includes collecting relevant data, after defining the problem and analyzing its nature, the next step is to obtain the relevant information/ data about it. There is information flood in the business world due to new developments in the field of information technology. All available information should be utilised fully for analysis of the problem. This brings clarity to all aspects of the problem.

3. Developing Alternative Solutions: After the problem has been defined, diagnosed on the basis of relevant information, the manager has to determine available alternative courses of action that could be used to solve the problem at hand. Only realistic alternatives should be considered. It is equally important to take into account time and cost constraints and psychological barriers that will restrict that number of alternatives. If necessary, group participation techniques may be used while developing alternative solutions as depending on one solution is undesirable.

4. Selecting the Best Solution: After preparing alternative solutions, the next step in the decision-making process is to select an alternative that seems to be most rational for solving the problem. The alternative thus selected must be communicated to those who are likely to be affected by it. Acceptance of the decision by group members is always desirable and useful for its effective implementation.

5. Converting Decision into Action: After the selection of the best decision, the next step is to convert the selected decision into an effective action. Without such action, the decision will remain merely a declaration of good intentions. Here, the manager has to convert 'his decision' into 'their decision' through his leadership. For this, the subordinates should be taken in confidence and they should be convinced about the correctness of the decision. Thereafter, the manager has to take follow-up steps for the execution of decision taken.

6. Ensuring Feedback: Feedback is the last step in the decision-making process. Here, the manager has to make built-in arrangements to ensure feedback for continuously testing actual developments against the expectations. It is like checking the effectiveness of follow-up measures. Feedback is possible in the form of organized information, reports and personal observations. Feed back is necessary to decide whether the decision already taken should be continued or be modified in the light of changed conditions.

7.5 Types of Decisions

As discussed already managers at all levels make decisions, in fact managers are judged by the decision they make and the results or outcome of the decisions taken by them. Decisions can be classified in various ways, some of them are:

basic / strategic and routine / tactical decisions

Basic or Strategic decisions are decisions concerning unique problems or situations. They require lengthy deliberation and large funds and are taken by managers at higher levels. They require creativeness, intuition and good judgment, on the part of managers.

Routine or tactical decisions are repetitive in nature. They require little deliberation and are generally concerned with short-term commitments. Their primary purpose is to achieve as high a degree of efficiency as possible.

personal and organizational decisions

These decisions reflect use of manager's authority. Decision taken, keeping in mind the interest of the organization are organizational decisions and decisions taken, keeping in mind personal interest are personal decisions.

Organizational decisions are made by managers, in their official or formal capacity as controllers and allocate organizational resources. These decisions can be delegated and are aimed at furthering the interest of the organization.

Decisions taken in individual capacity are personal decisions; these decisions can not be delegated. Personal decisions affect the organization, in an indirect way.

programmed and non- programmed decisions

A decision is said to be programmed when adequate information about the decision situation is available with the decision maker. They are structured, for routine problems, and repetitive in nature. Rules and policies are established well in advance to solve recurring problems quickly.

Non-Programmed Decisions are taken in situation which involves the development and evaluation of alternatives without the aid of a rule or policy. Non-programmed decisions are characterized by a poorly defined structure and lack of goal clarity. They are made in the absence of reliable and well defined sources of information and lack an explicit procedure for decision making which, thus, is responsible for the poorly defined structure of non-

programmed decisions. These decisions are taken by top level managers. As we move up the organizational hierarchy, the need for taking non-programmed decisions increases.

7.6 Decision-making Conditions

Conditions under which decisions are taken vary from known to known, complete certainty to complete or partial uncertainty. Some decisions are taken in preferred situation or environment and some under totally non preferred situations or environment. The decision-making environment represents following conditions:

- 1. Certainty:** It means that decision-makers have complete and reliable information about the future and managers or decision-makers can choose the best course of action. However, few decisions are certain in the real world, and such a situation is rare to exist in reality.
- 2. Risk:** Risk means that a decision has a clear-cut goal and the available information about the environment is incomplete but may or may not be reliable, but the future outcomes associated with each alternative are subject to change. The expected results are not deterministic but only probabilistic. Most decisions are taken in the situation of risk; in fact decision-making based on probabilities is common in all areas of management.
- 3. Uncertainty:** Under this situation no information is available about the future and the decision maker is unaware of all the alternatives, the risk associated with each, or the likely outcomes of each alternative. Decisions are based on managers' experience, intuition and judgments. The decisions are generally made on the basis of calculated guesses than on hard factual data. Some of the uncertain elements in the environment are economic, political, technological and natural changes.
- 4. Ambiguity:** Ambiguity means that the goals to be achieved or the problem to be solved is unclear, alternatives are difficult to define, and information about outcomes is not available. It is a most difficult decision situation confronting managers, normally this situation seldom take place in corporate world.

7.7 Models in Decision-making

There are two models that guide decision-making behavior of managers. These are

1. The Rational / Economic Man Model

The model is also known as Normative Model or Classical Model of decision-making. This model assumes that decision maker is an economic man as defined in the classical theory of management. He

is guided by economic motives and self-interest, and tries to select the best alternative for achieving the optimum solution to a problem i.e. he aims to maximize profits. This model is based on the following assumptions:

1. The decision maker has a clear, well-defined goal that he is trying to maximize.
2. The decision maker has access to complete and reliable information.
3. All choices available to the decision maker are known or given and the outcomes of all the actions are also known.
4. The decision maker is creative, systematic and reasoned in his thinking.
5. The decision maker can analyze all the alternatives and rank them in the order of priority.
6. The decision maker has the freedom to choose the alternative that optimizes the returns.
7. There are no constraints of time, cost and information to decision making.

The above model is prescriptive and normative, it explains how decision makers ought to behave, and actual decision making is not what is prescribed by the rational model. Rationality is an ideal and can be rarely achieved in real life situations. The various constraints which managers faces while making rational decisions are:

1. Impossible to state a well defined goal which a manager wants to achieve or it is impossible to state the problem accurately.
2. Managers are constrained by their ability to collect complete information about the environmental variables, are unaware of all the alternatives, the probability of the outcomes of the alternatives. Even for a single alternative, they cannot collect complete information.
3. Managers work under immense pressure, and any wastage of time result in opportunity lost. Working under severe time and cost constraints, managers may settle down for less optimal decisions.
4. Every manager has an own perception about various alternatives and these personal preferences or perception guides his decision making behavior.
5. This model ignores the importance and influence of powerful individual and groups on the decision making process. Different groups like labor unions, consumer groups, and administrative agencies affect the decisions made by managers.

Thus, the rational economic model is based on a defective logic and reasoning. It is an idealistic but unrealistic model. The complexities of the real world compel us to reject the economic model as the underlying assumptions hardly prevail.

2. The Administrative man Model

This model is also known as Descriptive Decision Theory or Non- rational Model. As contrast to economic man model, the administrative man model is descriptive in nature. This model was suggested by Prof. Herbert Simon, a well known economist and Nobel laureate, to explain the decision making behavior of individuals and organizations. As we already know that there are many factors which restrict or limit managers and organizations in taking perfectly rational decisions. The administrative model of human behavior is the practical man model and is based on the principle of 'bounded rationality (i.e. limited rationality)', which suggests that managers can be rational only in a limited way during the process of decision making. There are always 'boundaries to rationality' in organizations. Managers cannot develop and evaluate every possible alternative in the decision making situation. They just analyze a limited number of alternatives, and take a decision which is just good enough. These decisions are not always optimum decisions. They are 'satisficing decisions' i.e. they are able to solve a problem with limited available information and resources in a satisfying manner.

Administrative man model of decision making is characterized by the following features:

1. In choosing among alternatives, administrative man attempts to satisfy or look for the alternatives which are satisfying or good enough as there are various constraints affecting decision making process.
2. In making decision the importance of identifying and evaluating all the alternatives is not felt by managers, since administrative man believes in satisfying rather than maximizing.
3. Administrative man is able to make decisions with relatively simple rules of thumb or tricks of trade, or from force of habit.

7.8 ‘Individual’ and ‘Group’ Decision-making

Making decisions is a large part of doing business. When there is only one person involved or affected by a decision, making that decision is relatively easy. But when coworkers or employees need to be taken into consideration, a group decision could be the best solution. Deciding between individual and group decision making methods depends on the decision that needs to be made, the group that is affected and the employer's general leadership style.

Individual Decision Making

Decision making without a group's input or a decision made regardless of the group's opinion is, naturally, an individual decision. This is the more traditional decision making approach and can work effectively for a manager when the group's input is not required or in certain cases, desired.

Advantage	Disadvantage
An individual can make a decision quicker than group can, of course, since only one person needs to be consulted.	Avoid individual decision making if the decision directly affects the group. For example, deciding list of non gazette holidays will meet with opposition for reasons ranging from religious to other personal obligations.

Individual Decision Making Techniques

There are various traditional techniques for making decisions like Habits, Operating procedures and Organization structure for making programmed decisions and judgment, intuition for making non programmed decisions.

Now a day's various modern techniques are available for managers which use mathematical models or operational research methods for making decisions. Let us discuss some of these techniques in briefly:

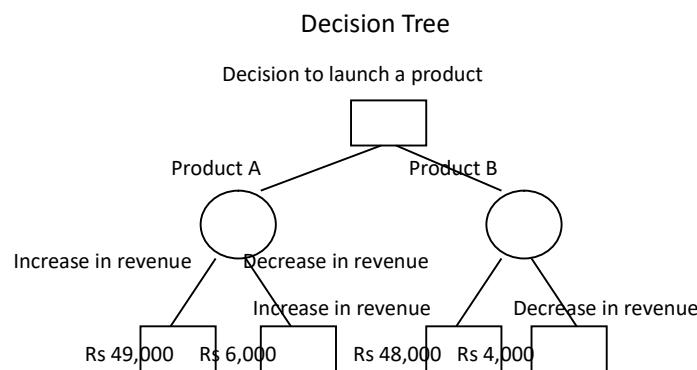
- 1. Break Even Technique:** This technique helps managers to determine the level of output at which the total profit is zero i.e. at this level the condition of no profit-no loss is achieved and above this level profit starts to pour in. At this level the total costs which include variable cost and fixed costs are equal to total revenue.
- 2. Economic Order Quantity:** This technique helps managers to control the cost of inventory, as higher inventory results in less working capital and higher interest cost at the same time low inventory results in order loss or idle labour time. There are other costs like handling cost, storage cost, insurance cost etc which are associated with inventory management. EOQ helps managers to identify the right level of inventory and the right order size to be placed in order to be profitable.
- 3. Probability Theory:** Future is full of uncertainties, probability theory helps in reducing these uncertainties. Probability of occurrence of an event ranges from 0 to 1. This theory provides a decision maker with a strong base for ascertaining the happening of future events. These decisions are based on past experience and some amount of quantifiable data.
- 4. Game theory:** This theory was developed by John Von Newman and Oskar Morgenstern in 1944. It helps business organizations face their competitors. It is a body of knowledge

that deals with making decisions, when two or more intelligent and rational competitors are involved under conditions of conflict or competition. The decision maker puts himself in his competitor's shoes and plans a counter strategy.

5. Queuing Theory: This theory is also known as the waiting line theory. Queuing problem arises whenever the demand for the customer service cannot be perfectly matched by a set of well defined service facilities for e.g. railway reservation, cinemas, banks, etc. This theory tries to strike a balance between the cost of queues and cost incurred to prevent the queues for e.g. the cost of queues at railway reservation counter is, wastage of customer time, inconvenience cost to customer, sometimes even loss of customer order where as the cost to prevent the queues would be more manpower requirement, more machine set up and even risk of idle time of man and machinery.

6. Decision-tree: It is a graphical decision-making tool typically used to evaluate decisions, containing a series of steps. It is a representation of possible actions and events, utilizing the probability factor, also known as chance factor, which allows the decision making to trace the most 'optimum' path, through the tree diagram. The figure represent a tree, with the base, normally represented by square is known as 'the decision point'. The branches of the tree begin at the first 'chance event', represented by a circle. For example a firm wants to launch a new product; it can launch product A or Product B. The probability chart for increase or decrease in total revenue is:

	Launch of Product A	Launch of Product B
Increase in Revenue(Probability)	Rs 70,000 (.70)	Rs 80,000 (.60)
Decrease in Revenue (Probability)	Rs 20,000 (.30)	Rs 10,000 (.40)



Total Value	Rs 55,000	Rs 52,000
-------------	-----------	-----------

7. Linear Programming: It is a mathematical technique used for optimum allocation of limited resources in the organization. The word ‘linear’ means that the relationships handled are those which are represented by straight lines. The term ‘programming’ means making decisions systematically. It aims to maximize profit or minimize cost by combining two variables which involve best use of resources.

8. Preference Theory: Attitude toward risk varies from person to person. Some managers are risk averters (willing to take less risk) while others are risk gamblers (willing to take greater risk). Preference theory, also known as the utility theory, explains the individual attitude toward risk. It is assumed here that the decision makers follow the statistical probabilities, as applied to decision making.

Group Decision Making

There are several models of group decision making that you can put to use like consensus and consultation. Consensus decision making involves posing several options to the group and using the most popular option to make a decision. Consultation takes the opinions of the group into consideration when making a decision. Both methods require the group's participation and call for a manager who respects the opinions and input of the group in the decision making process.

Advantage	Disadvantage
<p>Groups can accumulate more knowledge.</p> <p>Groups have a broader perspective and consider more alternatives.</p> <p>Individuals who participate in group decisions are more satisfied with the decision and are more likely to support it.</p> <p>Group decision processes serve an important communication function.</p>	<p>Groups often work more slowly than individuals.</p> <p>Group decisions involve considerable compromise that may lead to less than optimal decisions.</p> <p>Groups are often dominated by one individual or a small clique, thereby negating many of the virtues of group processes.</p> <p>Over-reliance on group decision making can inhibit management's ability to act quickly and decisively when necessary.</p>

Individual vs. Group Decision Making

- In establishing objectives, groups are probably superior to individuals because of the greater amount of knowledge available to groups.
- In identifying alternatives, the individual efforts of group members encourage a broad search in various functional areas of the organization.
- In evaluating alternatives, the collective judgement of the group, with its wider range of viewpoints, seems superior to that of the individual decision maker.

In choosing an alternative, group interaction and the achievement of consensus usually result in the acceptance of more risk than would be accepted by an individual decision maker.

- Implementing a decision, whether or not it was made by a group, is usually accomplished by individual managers.

Group Decision Making Techniques

There are many methods or procedures that can be used by groups. Each is designed to improve the decision-making process in some way. Some of the more common group decision-making methods are brainstorming, dialectical inquiry, nominal group technique, and the Delphi technique.

1. Brainstorming: Brainstorming involves group members verbally suggesting ideas or alternative courses of action. The "brainstorming session" is usually relatively unstructured. The situation at hand is described in as much detail as necessary so that group members have a complete understanding of the issue or problem. The group leader or facilitator then solicits ideas from all members of the group. Usually, the group leader or facilitator will record the ideas presented on a flip chart or marker board. The "generation of alternatives" stage is clearly differentiated from the "alternative evaluation" stage, as group members are not allowed to evaluate suggestions until all ideas have been presented. Once the ideas of the group members have been exhausted, the group members then begin the process of evaluating the utility of the different suggestions presented. Brainstorming is a useful means by which to generate alternatives, but does not offer much in the way of process for the evaluation of alternatives or the selection of a proposed course of action.

2. Dialectical Inquiry: Dialectical inquiry is a group decision-making technique that focuses on ensuring full consideration of alternatives. Essentially, it involves dividing the group into opposing sides, which debate the advantages and disadvantages of proposed solutions or

decisions. A similar group decision-making method, devil's advocacy, requires that one member of the group highlights the potential problems with a proposed decision. Both of these techniques are designed to try and make sure that the group considers all possible ramifications of its decision.

3. Nominal Group Technique: The nominal group technique is a structured decision making process in which group members are required to compose a comprehensive list of their ideas or proposed alternatives in writing. The group members usually record their ideas privately. Once finished, each group member is asked, in turn, to provide one item from their list until all ideas or alternatives have been publicly recorded on a flip chart or marker board. Usually, at this stage of the process verbal exchanges are limited to requests for clarification or evaluation or criticism of listed ideas is permitted. Once all proposals are listed publicly, the group engages in a discussion of the listed alternatives, which ends in some form of ranking or rating in order of preference.

4. Delphi Technique: Delphi technique is a group decision-making process that can be used by decision-making groups when the individual members are in different physical locations. The individuals in the Delphi "group" are usually selected because of the specific knowledge or expertise of the problem they possess. In the Delphi technique, each group member is asked to independently provide ideas, input, and/or alternative solutions to the decision problem in successive stages. After each stage in the process, other group members ask questions and alternatives are ranked or rated in some fashion. After an indefinite number of rounds, the group eventually arrives at a consensus decision on the best course of action.

7.9 Decision-making and Creativity

Creativity is vital for decision making, whether it is organizational decision or personal decision, it is essentially the first step in innovation, which is vital for long –term organizational success. In the business context, creativity means creation of new ideas, new method or new product/service. In decision making, creativity is required to develop alternatives, enrich possibilities and image consequences or end results. The role of creativity is highest in generating alternatives which can be considered for evaluation and choice. Creativity is required for solving problems which are unique, one time and non-repetitive in nature as these problems cannot be solved by past experience or known methods. Creativity is thus a function of knowledge, imagination and evaluation.

The creative process usually comprises following interconnected stages:

1. Saturation: This stage generally begins in thorough familiarity with a problem itself, its history, its importance, its relationship to other parts of the business, and its setting. If the manager is clearly aware about the real problem, he is likely to think in direction which may be very relevant for problem solution.

2. Preparation: This stage involves gathering information, analyzing and using it. Here knowledge alone does not generate creative ideas. Here the individual becomes thoroughly immersed in every relevant aspect of the problem. This is the most frustrating stage as it may last for days, months even years.

3. Incubation: Sometime also referred as Gestation stage, the manager thinks over collected information and makes decision in his sub-conscious mind. He appears to be idle but actually he is trying to correlate what runs in his sub-conscious mind with the happenings around, to arrive at a sound decision for solving the problem. This stage calls for divergent thinking to explore unusual, novel, innovative alternatives.

4. Illumination: At this stage, manager thinks of all possible solutions at the times, he thinks while eating, walking or going to sleep. A new level of insight is achieved, often through a sudden flash. Experience creative people often carry idea notebook to capture or record these flashes of insight.

5. Verification: this is the final stage of creative process and involves verifying, modifying and applying the ideas towards the solution of the problem under study. This is a very critical phase in creative process because new ideas are worthless until they come into full form and are available for consideration by those who can use them. If the solution does not appear feasible, it may be necessary to cycle back through all or some of the previous steps. Many inventions and books that later proved to be huge successes were at first rejected by several sources. 'Harry Potter' and Xerography are two historically important cases.

7.10 Decision-making and Planning

There is close relationship between planning and decision-making. Decision-making has priority over planning function. It is the starting point of the whole management process. In fact, decision-making is a particular type of planning. A decision is a type of plan involving commitment to resources for achieving specific objective. According to Peter Drucker, it is the top management which is responsible for all strategic decisions such as the objectives of the business, capital expenditure decisions as well as operating decisions such as training of

manpower and so on. Without management decisions, no action can take place and naturally the resources would remain idle and unproductive. The managerial decisions should be correct to the maximum extent possible. For this, scientific decision-making is essential.

7.11 Summary

The role and importance of human behavior is emphasized by the behavioral model of decision making. Decision making is the process of selecting a course of action from among alternatives; it is the core of planning. Managers must make choices on the basis of limited or bounded rationality. Although they should take decisions in the light of all the lessons they have learnt from the situations, this cannot happen. Because there are almost always alternatives—usually many—to a course of action, managers need to narrow them down to those few that deal with the limiting factors. These are the ones that stand in the way of achieving a desired objective. Alternatives are then evaluated in terms of quantitative and qualitative factors. Programmed decisions are suited for structured problems and routine decisions. These kinds of decisions are made especially by lower-level managers and non managers. Non programmed decisions are used for unstructured problems and non routine decisions and are made especially by upper-level managers. In risk analysis, mathematical probabilities are assigned to the outcomes of decisions. The decision-making techniques include marginal analysis and cost effectiveness analysis. Experience, experimentation, and research and analysis also come into play in making decisions. Decision tree illustrate the decision points, chance events, and probabilities of each possible course of action. Preference theory takes into account managers' willingness to take certain risks. Group plays a useful role in solving complex problems. Group decision making uses a number of techniques, such as brain storming, nominal group techniques and the Delphi techniques, to generate various alternatives. Creativity is all about the ability of a decision maker to generate ideas that are both innovative and functional.

7.12 Glossary

Ambiguity: Condition under which objectives are unclear, identifying alternatives is difficult and information about outcome is not available.

Bounded rationality: The ability of managers to make perfectly rational decisions is limited by various factors like cognitive capacity, time constraints, etc

Brainstorming: A technique that encourages group members to generate as many novel ideas as possible, on a given topic without evaluating them.

Certainty: Condition under which all the information needed by the decision maker is fully available.

Choice-making: Identifying one among pre identified alternatives.

Creativity: The ability to generate ideas, which are innovative, purposeful and functional.

Decision: A choice from available alternatives.

Decision making: It is the process by which individuals select a course of action among several alternatives to produce a desired result.

Decision tree: Graphic decision making tool used to evaluate decisions, containing a series of steps.

Delphi technique: A method for obtaining the consensus of a number of experts through the use of a series of questionnaires.

Innovation: Development and/or introduction of new ideas, new ways of doing things, new products.

Non-programmed decision: A decision that is unique, unstructured, poorly defined and influences greatly to an organization.

Problem Solving: Set of activities that involve finding and implementing a course of action. It includes decision-making, implementation, monitoring and maintenance of the decision.

Programmed decision: A decision that is pre assumed, structured and recurs with some frequency.

Risk: The chance associated with different alternatives about future outcomes.

Uncertainty: Conditions under which the information about alternatives and future events is incomplete.

7.13 Check Your Progress

A. Fill in the blanks

- a.is a conscious choice to behave or think in a particular way in given circumstances.
- b.is the final step in the decision-making process.
- c. is also called the normative decision-making model or the classical model.

d. helps managers identify appropriate stock levels and appropriate order sizes.

B. State whether True or False

- a. To take no decision is also a decision.
- b. Decisions are not taken in situation of certainty.
- c. Only problems of crisis require decision-making.
- d. Managerial initiative is required to make non-programmed decisions.
- e. Strategic decisions are programmed decisions.
- f. Decisions are never rational and perfect in real life situation.
- g. Programmed decisions are based on pre-defined policies and rules.
- h. Personal decisions are programmed decisions.

7.14 Answer to Check Your Progress

A:	a. Decisions	b. Ensuring feedback	c. Rational/ Economical human model
	4. Economic order quantity		
B:	a. True	b. False	c. False
	e. False	f. True	g. True
			d. True
			h. False

7.15 Terminal Questions

- Q1. What do you understand by “decision making”? What are its basic elements?
- Q2. Explain the Decision Making Process.
- Q3. What do you mean by the term ‘bounded rationality’? What are the factors leading to bounded rationality decisions?
- Q4. Explain various approaches to the decision making process.
- Q5. ‘ Managers cannot be rational decision makers in real life’. Discuss.
- Q6. Write short notes on
 - a. Decision Tree
 - b. Waiting line theory
 - c. Brain Storming
 - d. Creativity and Decision making
 - e. Break-even technique

7.16 References

1. W.H. Newman, C.E. Sumer and E.K Warren, The Process of Management-Concepts, Behaviour and Practice, New Delhi, Prentice Hall of India, 1990.
2. Harlod Koontz and Cyril 0' Donnell, Essentials of Management, New Delhi, Tata McGraw-Hill Book Company, 2000.
3. W. F. Glueck, Management, Hinsdale, Illinois, The Dryden Press, 1990.
4. R.A. Baron, Behaviour in Organisation, Boston, Allyn & Bacon, 2000.
5. Peter F. Drucker, Management; Tasks, Responsibilities and Practices, New Delhi, Allied Publishers, 1975.
6. D.A:Wren and D. Voich, Management, New York, John Wiley, 1990.
7. W.B. Stevenson, J.L. Pierce and L.W. Porter, The Concept of Coalition in Organisation Theory and Research, Academy of Management Review, (10) 1985.
8. Gupta, C.B.; Management Concepts and Practices, Sultan Chand and Sons, New Delhi.
9. Harold, Koontz and Weirich; Management, Tata McGraw Hill Publishing Company, New Delhi.
10. Prasad, L.M.; Principles and Practice of Management, Sultan Chand & Sons, New Delhi.
11. Stephen, P. Robbins and Mary Coulter; Management, Pearson Education, New Delhi.

UNIT – 8 STAFFING AND DIRECTION

Structure

- 8.1 Introduction
- 8.2 Staffing
- 8.3 HRM and PM
- 8.4 Elements of the Staffing Process
 - 8.4.1 Manpower Planning
 - 8.4.2 Job Analysis
 - 8.4.3 Recruitment
 - 8.4.4 Selection
 - 8.4.5 Placement and Orientation
 - 8.4.6 Training and Development
 - 8.4.7 Performance Appraisal
- 8.5 Direction
 - 8.5.1 Features of Direction
 - 8.5.2 Importance of Direction
 - 8.5.3 Elements of Direction
 - 8.5.4 Principles of Direction
 - 8.5.5 Techniques of direction
- 8.6 Summary
- 8.7 Glossary
- 8.8 Check Your Progress
- 8.9 Answer to Check Your Progress
- 8.10 References
- 8.11 Terminal Questions

Objectives

After reading and studying this unit, you should be able to:

- Explain the nature of managerial function of staffing.
- Define the staffing process and manpower planning process.

- Describe the issues related to job analysis and the uses for which it is undertaken.
- Describe the importance and types of training and development methods.
- Describe fundamentals of directing and the role directing plays in managerial effectiveness.

8.1 Introduction:

Men, material and money are the three important factors of production, among these only men are considered as highly dynamic production factor and without the use of men, not even the most efficient machinery or any other factor of production is of any use. Men constitute the organization at all levels, and with the efficient use of men or human resource inputs are transformed into outputs and enable the organizations achieve their objectives.

The function of staffing is concerned with the attracting, development, allocation, utilization, compensation and conservation of human resource through their employment. Directing is a process of giving instructions, guiding, motivating, counseling and leading the human resources to achieve the organizational objectives. In this chapter we will discuss these two concepts i.e. Staffing and Directing in detail.

8.2 Staffing

The managerial function of staffing involves manning the organization structure through proper and effective selection, appraisal and development of the personnel's to fill the roles assigned to the employers/workforce.

Staffing is the process of acquiring, developing, employing, appraising, remuneration, and retaining people so that right type of people are available at right position and at right time in the organization.

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 organization through the recruitment, selection, and development of individuals as capable employees.”

S. Benjamin has defined staffing as “The process involved in identifying, assessing, placing, evaluating and directing individuals at work.”

Thus, staffing covers wide-ranging activities through which organization positions created, through organizing process, are kept filled.

Nature of Staffing

- 1. Staffing is an important managerial function-** 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.
- 2. 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.
- 3. 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.
- 4. The basis of staffing function is efficient management of personnel's-** Human resources can be efficiently managed by a system or proper procedure, that is, recruitment, selection, placement, training and development, providing remuneration, etc.
- 5. Staffing helps in placing 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.
- 6. Staffing is performed by all managers** depending upon the nature of business, size of the company, qualifications and skills of managers, etc.

Example In small companies, the top management generally performs this function. In medium and small scale enterprise, it is performed especially by the personnel department of that concern.

8.3 HRM and PM

Human Resource Management

HRM deals with management of human resource, it is a process of bringing people and organizations together so that the goal of each are met. It recognizes people as the most important and productive factor of production in an organization and therefore, is an art of procuring, developing and maintaining competent workforce to achieve the goals of an organization in an effective and efficient manner. Whereas staffing deals with appointment of

people, HRM deals with placing the right person at the right job. HRM is, thus wider than staffing.

Nature of HRM

1. HRM is pervasive in nature. It is present in all organizations. It is carried by every manager at every level and not the function of functional manager alone.
2. It is a process and requires a number of activities to be carried in a sequential order. It focuses attention on action, rather than only on record keeping, written procedures and rules.
3. It is a continuous process performed by the human resource functional managers. It requires constant alertness and awareness of human relations and their importance in every day operations.
4. It helps in optimum utilization of all types of resources.
5. It is individual oriented; it tries to help employees develop their potential fully.
6. It coordinates and synthesizes individual goals with organizational goals and also maintains cordial relations between people working at various levels in the organization. It is people oriented.
7. It is a multi-disciplinary activity utilizing knowledge, and inputs drawn from psychology, sociology, anthropology, economics, etc.

Personnel Management

Personnel Management (PM) is concerned with people at work and their relationships with each other. It may be defined as a set of programmes, functions and activities designed to maximize both personal and organizational goals. It is essentially concerned with seeing that the organization attracts and hires qualified, imaginative and competent people for the organization. This function also involves the establishment of various policies to deal with the employees and to retain them with the organization. To this end, it lays out the rules regarding working conditions, chalks out compensation plans, employer-employee relations, etc.

Nature of Personnel Management

1. Personnel management is concerned with employees, both as individuals and as a group in attaining goals. It is also concerned with behavior, emotional and social aspects of personnel.
2. It is concerned with the development of human resources, i.e., knowledge, capability, skills, potentialities and attaining and achieving employee-goals, including job satisfaction.
3. Personnel management covers all levels (lower, middle and top) and all categories (unskilled, skilled, technical, professional, clerical and managerial) of employees. It covers both organized and unorganized employees.
4. It applies to the employees in all types of organization in the world (industry; trade, service, commerce, economic, social, religious, political and government departments). Thus, it is common in all types of organizations.
5. Personnel management is a continuous and never-ending process.
6. It aims at attaining the goals of an organization, (organizational, individual and societal goals) in an integrated way. Organizational goals may include survival, growth and development in addition to profitability; productivity, innovation, excellence, etc. Individual employee-goals may consist of job satisfaction, job security, high salary, attractive fringe benefits, challenging work, pride, status, recognition, opportunity for development, etc. Goals of the society may include equal employment opportunity protecting the disadvantaged sections and physically handicapped, minimizing wage differentials, developing the society in general through developmental activities, etc.
7. Personnel management is a responsibility of all line managers and a function of staff managers in any organization.
8. It is concerned mostly with managing human resources at work.
9. Personnel management is the central sub-system of an organization and it permeates all types of functional management, viz., production management, marketing management and financial management.
10. Personnel management aims at securing unreserved cooperation from all employees in order to attain predetermined goals.

Personnel Management Functions

Personnel management performs two sets of functions, namely – managerial functions and operative functions. Let us discuss them briefly.

A. Managerial Functions: The basic managerial functions are concerned with the planning, organizing, directing and controlling

- 1. Planning:** Planning involves the determination of future course of action and -the ways of achieving them. Under the planning function, the personnel manager lays down personnel policies and programmes for the enterprise. These policies and programmes are designed to ensure efficiency and uniformity in the procurement, development, compensation and maintenance of the required personnel.
- 2. Organizing:** Organizing is the process of creating a structure or framework of authority-responsibility relationships among various jobs and personnel in order to achieve the specified objectives. The personnel manager has to build up an organization structure so that the various operative functions of the personnel department may be carried out effectively.
- 3. Directing:** Directing implies the initiation and maintenance of organized action. This involves supervising and guiding the personnel of the enterprise. In order to direct the efforts of the people in his department, the personnel manager exercises leadership and communication.
- 4. Controlling:** Control seeks to ensure that events conform -plans as closely as possible. Controlling implies detection of deviations of employee performance from standards and the correction of such deviations.

B. Operative Functions: The operative functions of personnel management are related to specific activities personnel management, they are, employment, development, compensation, integration, maintenance, records and research.

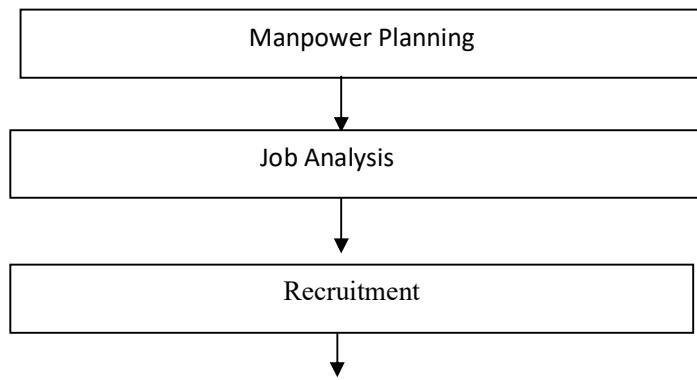
- 1. Employment:** The procurement or employment function concerned with the employment of right number and type of people required for the objectives of the organization. It consists of manpower planning, recruitment, selection and placement of the personnel. These activities are performed to fill up different positions with the employees having required qualities.
- 2. Development:** It is the process of improving, molding, changing and developing the skills, knowledge, creative ability, aptitude, attitude, etc to make them efficient employees.
- 3. Compensation:** Compensation function involves the determination of fair and equitable remuneration of employees for their contribution towards the achievement of

organizational objectives. In the determination of equitable remuneration for different types of personnel, the use of job evaluation, performance appraisal and such other techniques of wage and salary administration are useful. In addition to monetary compensation, several types of non-financial payments may be made to employees in the form of housing, medical, conveyance and other perquisites.

4. **Integration:** Integration is concerned with the reconciliation of interests of employees with the organizational goals. It involves the creation of sound industrial relations by establishing an efficient system of two-way communication between management and workers. The personnel department must maintain continuous liaison with the trade unions to ensure industrial discipline, industrial peace, solution of employees' grievances, collective bargaining, workers, participation in management, etc.
5. **Maintenance:** Maintenance function involves the creation of proper working conditions so that personnel may work with dedication and efficiency. Sound working conditions help to ensure the health, safety, welfare, motivation and morale of employees, in addition ,to good working conditions like ventilation, lighting, noise, temperature, sanitation, etc., welfare measures such as children's education, recreation, sports, cafeteria, restrooms, group insurance, etc., ensure the physical and social well-being of employees. These welfare services are planned and administered by the personnel department.
6. **Records and Research:** Systematic and up to date record of absenteeism, employee turnover, industrial accidents, industrial disputes, wage payments, grievances, etc., are necessary to help top management in the formulation of appropriate personnel policies and procedures. Personnel research involves the collection and dissemination of data to identify the causes of various personnel problems like absenteeism labor turnover, accidents, industrial disputes, etc.

8.4 Elements of the Staffing Process

The staffing process consists of the following steps or elements:



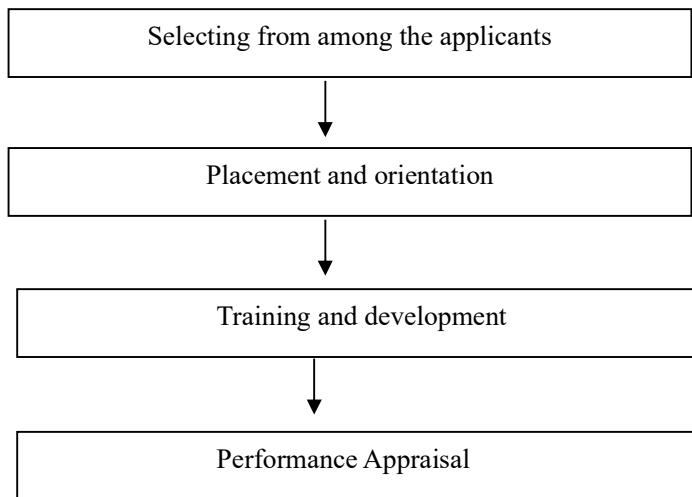


Fig 1: Staffing Functions

Let us discuss these steps in detail.

8.4.1 Manpower Planning

The main task of the function of staffing is to procure, develop and utilize right type of manpower resources in an organization. The very first step in staffing is to plan the manpower inventory required by a concern in order to match them with the job requirements and demands; therefore, it involves forecasting and determining the future manpower needs of the concern organization.

“A manpower planning programme can be defined as an appraisal of an organization’s ability to perpetuate itself with respect to its management as determined as necessary to provide the essential executive talent” – Edwin Flippo.

Basic elements of manpower planning are as follows:

1. Forecasting the future needs of manpower.
2. Developing the sound recruitment and selection procedure.
3. Proper utilization of available manpower.
4. Controlling and reviewing the manpower costs.

Manpower may be planned for short-term and long-term. The short-term manpower may achieve the objectives of the company at present conditions. The long-term manpower planning should be concerned with the estimation of staff members required in future.

Following points highlight significance and importance of manpower planning:

1. Manpower planning forecasts long term manpower needs of a concern. It provides sound basis to the personnel policy which is concerned with procurement and selection of right type of men for right type of jobs.
2. It considerably helps in reducing the excessive personnel costs by anticipating present manpower needs and to develop the existing manpower to fill the future gaps.
3. It motivates the existing employees and is considerably helpful in their development in the organization.
4. Manpower planning caters to the training needs of the existing, employees which in turn improve their performance.
5. It helps in developing the process of internal management succession among the workers.
6. Manpower planning brings about a general awareness of the importance of human resource management and its importance throughout the organization.

8.4.2 Job Analysis

Job analysis refers to a careful study of the job. It is the complete study of the job embodying every known and determinable factor, including the duties and responsibilities involved in its performance; the conditions under which performance is carried; on the nature of the task; the qualifications required by the workers; and the conditions of employment, such as pay hours opportunities and privileges.

The information collected through job analysis relates to job and job holders. The requirements relating to a job are termed as Job Description whereas qualities demanded from a job holder are known as Job Specifications. The important contents of job analysis are shown below:

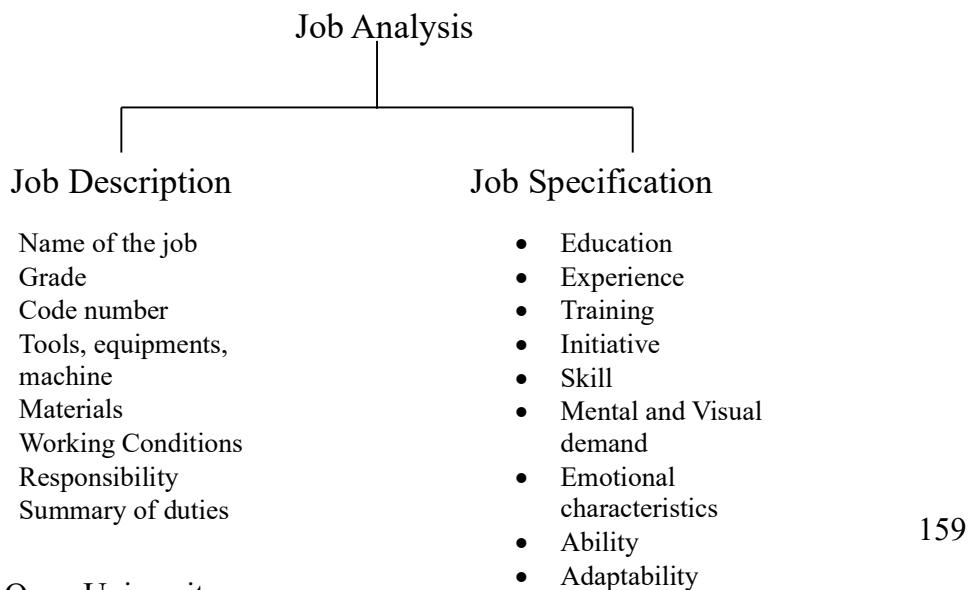


Fig 2: Components of Job analysis

Job analysis is, therefore, a process of observing the job and collecting the pertinent facts about it. Accordingly job analysis has the following areas:

1. The job identification
2. Characteristics of jobs
3. Specific Operations and task
4. Materials and Equipments used
5. How the job is performed
6. Working Conditions
7. Personal Attributes
8. Promotion Lines

Methods of Job Analysis

The following methods are usually applied for a job analysis:

1. **Questionnaire method:** Under this method, a questionnaire is circulated among the workers who report the facts about the job. This method is highly unsatisfactory as it places great faith in the job holder's ability to provide information. This method is best suited for clerical workers. It is a time consuming and laborious method.
2. **Observation:** The job analysts observe the job holders when they are actually doing the work. By personal observation, the analysts can come to know about facts relating to the incumbent as he performs his work. In case of simple and repetitive jobs, observations are the most suitable method. It is a costly and slow method.
3. **Interview:** The job analysts here interview the job holders for obtaining information about the job. This method coupled with observation is considered as the most satisfactory method of job analysis. However, conducting interview is an art and the interviewer should talk to employees in their language to get maximum information about the job. In actual practice, interview coupled with observation constitute the usual method of job analysis.

Uses of job Analysis

The following advantages are derived from a systematic job analysis:

1. **Manpower planning:** It helps in developing labor supply as labor needs are laid down in clear terms.
2. **Recruitment and selection:** It provides guidance in recruitment and selection of employees as specific requirements of the jobs are laid down in concrete terms. It provides reliable data on the basis of which the employees are selected. It also helps in choosing suitable tests for different positions.
3. **Promotion and Transfer:** It helps in evaluating current employees for promotion and transfers. If information about the job is available, employees can be transferred from-one department to another without any complication.
4. **Training and Development:** The job information helps in determining the content and subject matter of training and development programmes. It helps in finding out deficiencies and weaknesses in employees and further helps in suggesting training schemes.
5. **Job Evaluations:** Job analysis provides data for determining the worth of the job in relation to other jobs on the basis of which actual wages for the jobs are fixed.
6. **Performance Appraisal:** It helps in performance appraisal. The standards of performance for employees can be set on the basis of information provided by job analysis and actual performance can be compared with these standards. It helps the management in judging the worth of employees.
7. **Work Simplification:** It provides information for work simplification methods and improvement in the place of work. It increases efficiency of employees and helps in reducing labor costs.
8. **Setting wage differentials:** Job analysis helps in setting wage differentials regarding different jobs as risks and hazards involved in the performance of different jobs are shown by job analysis.
9. **Miscellaneous Uses:** In addition to the above uses, job analysis helps in:

- a. Job design and job reorganizing,
- b. Health and safety by identifying hazardous conditions and unhealthy environment,
- c. Establishing production standards, responsibility, authority, induction and workloads.

Job Description

Job description is the immediate result of job analysis. It describes the work performed, responsibilities involved, training required, working conditions, and relationships with other jobs. The object of a job description is to differentiate it from other jobs. The following are the contents of job description: Name of the job

- Grade
- Code number
- Tools, equipments, machine
- Materials
- Working Conditions
- Responsibility
- Summary of duties

Job Specification

Job specification refers to the human qualities required for performing the job. The preparation of job specification is not as simple as that of job. A job specification is prepared on the basis of job description. These qualifications are essential for the successful performance of a job description. These human qualities serve as a guide for the manager at the time of selection of employees. A job specification usually includes the following:

- Education
- Experience
- Training
- Initiative
- Skill
- Mental and Visual demand
- Ability
- Adaptability

8.4.3 Recruitment

Once the requirements are notified, the concern invites and solicits applications according to the invitations made to the desirable candidates. Recruitment is the process of discovering the potential applicants for actual or anticipated organizational vacancies. The process of finding names of persons who could be considered for appointment is known as recruitment.

Types of recruitment: There are usually two types of recruitment: Internal and External.

Internal Recruitment - is a recruitment which takes place within the concern or organization. Internal sources of recruitment are readily available to an organization. Internal sources are primarily three:

1. Transfers, 2. Promotions and 3. Re-employment of ex-employees.

Internal recruitment may lead to increase in employee's productivity as their motivation level increases. It also saves time, money and efforts. But a drawback of internal recruitment is that it restricts the organization from new potential employee. Also, not all the manpower requirements can be met through internal recruitment. Hiring from outside has to be done.

Internal sources are primarily

1. Transfers
2. Promotions (through Internal Job Postings) and
3. Re-employment of ex-employees - Re-employment of ex-employees is one of the internal sources of recruitment in which employees can be invited and appointed to fill vacancies in the concern. There are situations when ex-employees provide unsolicited applications also.

External Recruitment - External sources of recruitment have to be solicited from outside the organization. It involves lot of time and money. The external sources of recruitment include - Employment at factory gate, advertisements, employment exchanges, employment agencies, educational institutes, labor contractors, recommendations etc.

1. **Employment at Factory Level** - This a source of external recruitment in which the applications for vacancies are presented on bulletin boards outside the Factory or at the Gate. This kind of recruitment is applicable generally where factory workers are to be

appointed. There are people who keep on soliciting jobs from one place to another. These applicants are called as unsolicited applicants. These types of workers apply on their own for their job. For this kind of recruitment workers have a tendency to shift from one factory to another and therefore they are called as “badli” workers.

2. **Advertisement** - It is an external source which has got an important place in recruitment procedure. The biggest advantage of advertisement is that it covers a wide area of market and scattered applicants can get information from advertisements. Medium used is Newspapers and Television.
3. **Employment Exchanges** - There are certain Employment exchanges which are run by government. Most of the government undertakings and concerns employ people through such exchanges. Now-a-days recruitment in government agencies has become compulsory through employment exchange.
4. **Employment Agencies** - There are certain professional organizations which look towards recruitment and employment of people, i.e. these private agencies run by private individuals supply required manpower to needy concerns.
5. **Educational Institutions** - There are certain professional Institutions which serve as an external source for recruiting fresh graduates from these institutes. This kind of recruitment done through such educational institutions is called as Campus Recruitment. They have special recruitment cells which help in providing jobs to fresh candidates.
6. **Recommendations** - There are certain people who have experience in a particular area. They enjoy goodwill and a stand in the company. There are certain vacancies which are filled by recommendations of such people. The biggest drawback of this source is that the company has to rely totally on such people which can later on prove to be inefficient.
7. **Labor Contractors** - These are the specialist people who supply manpower to the Factory or Manufacturing plants. Through these contractors, workers are appointed on contract basis, i.e. for a particular time period. Under conditions when these contractors leave the organization, such people who are appointed have to also leave the concern.

8.4.4 Selection

This is the screening step of staffing in which the solicited applications are screened out and suitable candidates are appointed as per the requirements.

Employee Selection is the process of putting right men on right job. It is a procedure of matching organizational requirements with the skills and qualifications of people. Effective selection can be done only when there is effective matching. By selecting best candidate for the required job, the organization will get quality performance of employees. But selection must be differentiated from recruitment, though these are two phases of employment process.

Recruitment is considered to be a positive process as it motivates more of candidates to apply for the job. It creates a pool of applicants. It is just sourcing of data. While selection is a negative process as the inappropriate candidates are rejected here. Recruitment precedes selection in staffing process. Selection involves choosing the best candidate with best abilities, skills and knowledge for the required job.

Employee Selection Process

The Employee selection Process takes place in following order-

- 1. Preliminary Interviews-** It is used to eliminate those candidates who do not meet the minimum eligibility criteria laid down by the organization. The skills, academic and family background, competencies and interests of the candidate are examined during preliminary interview. Preliminary interviews are less formalized and planned than the final interviews. The candidates are given a brief up about the company and the job profile; and it is also examined how much the candidate knows about the company. Preliminary interviews are also called screening interviews.
- 2. Application blanks-** The candidates who clear the preliminary interview are required to fill application blank. It contains data record of the candidates such as details about age, qualifications, reason for leaving previous job, experience, etc.
- 3. Written Tests-** Various written tests conducted during selection procedure are aptitude test, intelligence test, reasoning test, personality test, etc. These tests are used to objectively assess the potential candidate. They should not be biased.
- 4. Employment Interviews-** It is a one to one interaction between the interviewer and the potential candidate. It is used to find whether the candidate is best suited for the required job or not. But such interviews consume time and money both. Moreover the competencies of the candidate cannot be judged. Such interviews may be biased at times. Such interviews

should be conducted properly. No distractions should be there in room. There should be an honest communication between candidate and interviewer.

- 5. Medical examination-** Medical tests are conducted to ensure physical fitness of the potential employee. It will decrease chances of employee absenteeism.
- 6. Appointment Letter-** A reference check is made about the candidate selected and then finally he is appointed by giving a formal appointment letter.

8.4.5 Placement and Orientation

Once screening takes place, and job offer is accepted by the individual. He should be placed on a suitable job. Placement takes place by putting right man on the right job. It involves assigning a specific rank and responsibility to an employee. Most of the organization follows a 'Probation approach to placement', in this approach new recruit is put on probation for a given period of time, and their performance is monitored by a supervisor. Final decision about the placement of the individual is taken in consultation with senior managers.

Placement is an important human resource activity to both the employee and the employer, if ignored; it may create problems for employer like poor performance, turnover, accidents, absenteeism etc. From employee point of view it may cause frustration, resignation and a bad image of the organization.

Orientation or induction programmes are conducted to introduce new employees to the organization and help them carry out their work effectively. Orientation programmes serve the following purposes:

Orientation helps new employees to overcome fears of a new job and help them to perform better on the job as orientation tells them what they are supposed to do.

Orientation serves as a valuable source of information to new recruits. Information about the activities of different departments is communicated to the trainees.

Detailed policies, programmes, procedure, schedules etc are explained to them. It creates a good impression on new recruits.

Orientation programmes help new recruits know the organization structure and know their position in the organization.

8.4.6 Training and Development

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.

Training and development objectives

The principal objective of training and development division is to make sure the availability of a skilled and willing workforce to an organization. In addition to that, there are four other objectives: Individual, Organizational, Functional, and Societal.

- (a) **Individual Objectives** – help employees in achieving their personal goals, which in turn, enhances the individual contribution to an organization.
- (b) **Organizational Objectives** – assist the organization with its primary objective by bringing individual effectiveness.
- (c) **Functional Objectives** – maintain the department's contribution at a level suitable to the organization's needs.
- (d) **Societal Objectives** – ensure that an organization is ethically and socially responsible to the needs and challenges of the society.

Importance of training and development

1. **Optimum Utilization of Human Resources:** Training and Development helps in optimizing the utilization of human resource, which helps the employee to achieve the organizational goals as well as their individual goals.
2. **Development of Human Resources:** Training and Development helps to provide an opportunity and broad structure for the development of human resources' technical and behavioral skills in an organization.
3. **Development of skills of employees:** Training and Development helps in increasing the job knowledge, skills and behavior of employees at each level.
4. **Productivity** – Training and Development helps in increasing the productivity of the employees that helps the organization further to achieve its long-term goal.

5. **Team spirit** – Training and Development helps in inculcating the sense of team work, team spirit, and inter-team collaborations. It helps in inculcating the zeal to learn within the employees.
6. **Healthy work environment** – Training and development helps in creating the healthy working environment. It helps to build good employee, relationship so that individual goals aligns with organizational goal.
7. **Health and Safety** – Training and Development helps in improving the health and safety of the organization thus preventing obsolescence.
8. **Morale** – Training and Development helps in improving the morale of the work force.
9. **Image** – Training and Development helps in creating a better corporate image.
10. **Profitability** – Training and Development leads to improved profitability and more positive attitudes towards profit orientation.

Methods of training and development

Training methods can be devised according to the mental ability of personnel in an organization and the importance of the training, the various types of training are:

1. On the job method:

The most frequently used method in smaller organizations that is on the job training. This method of training uses more knowledgeable, experienced and skilled employees, such as managers, supervisors to give training to less knowledgeable, skilled, and experienced employees. This type of training often takes place at the work place in informal manner. The four techniques for on the job development are:

1. **Coaching:** Coaching is one of the training methods, which is considered as a corrective method for inadequate performance.
2. **Mentoring:** Mentoring is an ongoing relationship that is developed between a senior and junior employee. Mentoring provides guidance and clear understanding of how the organization goes to achieve its vision and mission to the junior employee.
3. **Job rotation:** The main objective of this type of training is to broaden the knowledge background of the employee. Working in various sections help the trainee to develop an integrated view of the functioning of the organization.
4. **Job instruction technique:** This type of training focus on knowledge (factual and procedural), skills and attitudes development.

2. Off the job method:

In this type of training the employee is sent to another location outside the business to learn a skill or acquire important knowledge. Off-the-job training may include

1. Lectures and demonstrations
2. Simulations, role-plays and games
3. Brainstorming
4. Self-study
5. Attending external courses, for example, Executive development programme.

8.4.7 Performance Appraisal

In order to keep a track or record of the behavior, attitudes as well as opinions of the workers towards their jobs a regular assessment is done to evaluate and supervise different work units in an organization. Performance appraisal means the systematic evaluation of the performance of an employee by an expert or his immediate superior. The performance of an employee is compared with the job standards. The job standards are already fixed by the management for an effective appraisal. It indicates how well an individual is fulfilling the job requirements.

Importance of Performance Appraisal

1. Performance appraisal helps the management to take decision about the salary increase of an employee.
2. The continuous evaluation of an employee helps in improving the quality of an employee in job performance.
3. The performance appraisal brings out the facilities available to an employee, when the management is prepared to provide adequate facilities for effective performance.
4. It minimizes the communication gap between the employer and employee.
5. Promotion is given on the basis of performance appraisal.
6. The training needs of an employee can be identified through performance appraisal.
7. The decision for discharging an employee from the job is also taken on the basis of performance appraisal.

8. Performance appraisal is used to transfer a person who is misfit for a job to the right placement.
9. The grievances of an employee are eliminated through performance appraisal.
10. The job satisfaction of an employee increases the morale, which can be achieved through performance appraisal.

Kinds of Performance Appraisal

There are many kinds of performance appraisal methods, and can be classified into three categories, some of them are discussed below:

Performance Appraisal Methods

Individual Evaluation Methods	Multiple person evaluation methods	Other methods
<ul style="list-style-type: none"> • Confidential reports • Critical incidents • Check List • Forced Choice 	<ul style="list-style-type: none"> • Ranking • Paired Comparison • Forced distribution 	<ul style="list-style-type: none"> • Group Appraisal • Assessment Centre • Field Review

Fig 3: Types of Performance Appraisal

Individual evaluation methods:

1. **Confidential report:** This is the most common method used by various governmental organizations and big corporate houses. In this method an employee is evaluated by their immediate superior, and is kept confidential.
2. **Critical incidents:** In this method appraisal of an employee is done on the basis of the incidents occurred in a particular period. A list of incidents representing effective and ineffective behavior of an employee is prepared by the manager, and is used in evaluation of the employees, performance.
3. **Check List:** The appraisal of the ability of an employee through getting answers for a number of questions is called the method of check list. A rating score from the checklist, prepared by rater, helps the manager in evaluation of the performance of the employee.
4. **Forced choice:** In this method a series of groups of statements are prepared which may be positive or negative, describing the characteristics of an employee. The primary purpose of this method is to check and correct the tendency of a rater to give consistently high or low ratings to all employees. The final rating is done on the basis of both the

statements, i.e. negative as well as positive. But, the rater cannot easily judge which statement are for final rating of effective employee.

Multiple person evaluation method:

- Ranking:** This method is very old and a simple form of performance appraisal. An employee is ranked one against the other in the working group under this method. The relative position of each employee is tested in terms of his numerical rank. It may also be done by ranking a person on his job performance against another member of the competitive group.
- Paired Comparison:** This method is a part of ranking method. Ranking becomes more reliable and easier under the paired comparison method. Each employee is compared with other employees taking only one at a time. The evaluator compares two employees and puts a tick mark against an employee whom he considers a better employee. In the same way an individual is compared with all other existing employees. Finally an employee who gets maximum ticks for being a better employee is considered the best employee and is ranked highest.
- Forced distribution:** In this method, the rater is asked to appraise the employee according to a predetermined distribution scale. The rater's bias is ought to be eliminated here because workers are not placed at a higher or lower end of the scale. A five point performance scale is used without mention of descriptive statements. Workers are placed between the two extremes of 'good' and 'bad' performance.

=Other methods:

- Group Appraisal:** In this method, an employee is appraised by a group or panel of appraisers. The panel consists of the immediate superior, other superiors and sometimes services of consultants are also used in this method. This method eliminates 'personal bias' of any one person, as performance is evaluated by multiple rates. This method is a time consuming method and required planning by the top management.
- Assessment Centre:** This is not a technique of performance appraisal by itself. In fact it is a system or organization, where assessment of several individual is done by various experts using various techniques. These
- Field Review:** An employee's performance is appraised through an interview between the rater and the immediate superior or supervisor of concerned employee. The rater is

attached with the personnel department. The rater asks the supervisors questions about the performance of an employee. The personnel department prepares a detailed report on the basis of this collected information. A copy of this report is placed in the personnel file of the concerned employee after getting approval from the supervisor.

8.5 Direction

Direction is a managerial function performed by the top level officers of the management. Whenever any decision is taken, it should be properly implemented. If not so, there is no use of taking such a decision. Direction is necessary in order to achieve proper implementation of direction. Every manager gives direction to his subordinates and vice versa every subordinate gets direction from his respective manager. A manager needs to use various ways to lead, motivate and inspire the subordinates and to communicate with them suitably.

Directing is a process of giving instructions, guiding, and counseling, motivating and leading the human resources to achieve the organizational objectives.

According to Haimann, “directing consists of a process and technique utilized in issuing instructions and making certain that operations are carried on as originally planned.”

Koontz and O'Donnell have described direction as “Direction is the interpersonal aspect of managing by which subordinates are led to understand and contribute effectively to the attainment of enterprise objective.”

According to J.L. Massie, “Directing concerns the total manner in which a manager influences the actions of his subordinates. It is the final action of a manager in getting others to act after all preparations have been completed.”

8.5.1 Features of directing

- 1. Directing initiate's actions:** Directing is a key managerial function. A manager has to perform this function along with planning, organizing, staffing, and controlling while discharging his duties in the organization. Without direction, these functions like planning, staffing, and organizing become ineffective. Through direction, management conveys and motivates individuals in the organization to function in the desired way to get organizational objectives. While other functions prepare a setting for action, directing initiates action in the organization.

- 2. Directing takes place at every level of management:** Every manager, from top executive to supervisor performs the function of directing. The directing takes place wherever superior – subordinate relation exists.
- 3. Directing is a continuous process:** Directing is a continuous activity. It takes place throughout the life of the organization irrespective of people occupying managerial positions. We can observe that in organizations like Reliance, TCS, H.U.L, P&G and it is independent of managers, as managers may come and go, but the directing process continues because without direction the organizational activities cannot continue further.
- 4. Directing flows from top to bottom:** Directing is first initiated at top level and flows to the bottom through organizational hierarchy. It means that every manager can direct his immediate subordinate and take instructions from his immediate boss.

8.5.2 Importance of directing

The importance of directing in the organization can be viewed by the fact that every action is initiated through directing only, the importance of directing function in the organization can be presented as follows:

- 1. Helps to initiate actions:** Directing helps in initiating actions of people in organization towards attainment of the desired objectives.
- 2. Directing integrates employee's efforts:** For achieving organizational objectives, individuals need not only be efficient, but effective also. Their actions are inter-related in such a way that each individual's performance affects the performance of others in the organization.
- 3. Directing attempts to get maximum out of individual:** Every individual in the organization has some potentiality and capability which, in the absence of proper motivation, leadership, communication- all elements of directing- may not be utilized fully. Directing provides the way to utilize these capabilities and also it helps in increasing these capabilities.
- 4. Directing facilitates changes in the organization:** Organization exists in the society and any change in the society changes organizational process to keep organization ready to face environmental changes. Moreover, there are changes in organization structure and individuals. To incorporate and implement these changes, management should motivate individuals affected by these changes, which is an essential part of directing.

5. Directing provides stability and balance in the organization: Effective leadership, communication, and motivation provide stability in the organization and maintain balance in different parts of the organization. Thus, organization exists for a long period and its parts work in a harmonious way.

8.5.3 Elements of direction

Directing is a comprehensive managerial function; the function of direction consists of the following elements:

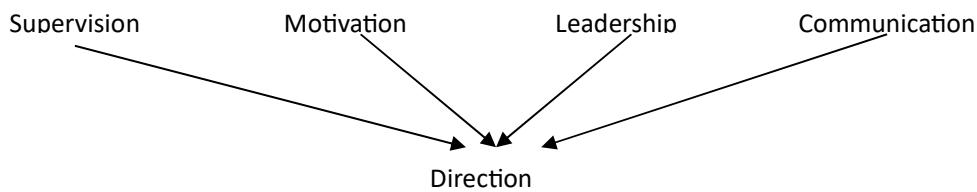


Fig 4: Elements of direction

All the above aspects or components of the direction function are inter-related to each other and reflects the job of directing as a mix of all the functions. All these functions are performed simultaneously and are undertaken in conjunction with one another.

8.5.4 Principles of directing

Directing is one of the most complex functions of the management as it deals with people whose nature itself is quite complex and unpredictable. Providing good and effective directing is challenging task as it involves many complexities. A manager has to deal with people with diverse background, expectations. This complicates the directing process. Certain guiding principles of directing may help in directing process. These principles are explained below:-

- 1. Principle of Maximum individual contribution:** Organizational objectives are achieved at maximum level when every individual in the organization contributes maximum towards this end. Management should adopt that directing technique which enables subordinates to contribute maximum.
- 2. Principle of Harmony of objectives:** Individuals join the organizations to achieve certain objectives, that is, they want to satisfy their physiological and psychological needs while working in the organization. At the same time, organization has its own objectives, that is, maximization of profit in a business concern. Management, through appropriate directing techniques, should try to integrate both organizational and individual objectives.

3. **Principle of Unity of command:** This principle insists that a person in the organization should receive instructions from one superior only. If instructions are received from more than one, it creates confusion, conflict and disorder in the organization. Adherence to this principle ensures effective direction.
4. **Principle of Managerial communication:** In the organization the success depends upon effective communication between superior and subordinates. Effective managerial communication across all the levels in the organization makes direction effective. Directing should convey clear instructions to create total understanding to subordinates. A superior, through downward communication, passes to his subordinates orders, ideas about work, etc., and through upward communication from his subordinates, he knows how his subordinates are working. Thus, effective communication both ways makes direction effective.
5. **Principle of Use of informal organizations:** Formal organization structure prescribes the official relationship among individuals. Besides, people working together develop certain relationships known as informal group or organization. Through this informal group, information travels very quickly, though sometimes the information may be wrong. Management should try to understand, spot, and make use of such informal organization for making directing most effective.
6. **Principle of Leadership:** Leadership is the process of influencing individuals in the organization for goal achievement. While directing the subordinates, managers should exercise good leadership as it can influence the subordinates positively without causing dissatisfaction among them.
7. **Principle of Follow through:** Directing is a continuous managerial process. Mere giving of an order is not sufficient. Managers should follow it up by reviewing continuously whether orders are being implemented accordingly or any problems are being encountered. If necessary, suitable modifications should be made in the directions.

8.5.5 Techniques of direction

There are three direction techniques: consultative, free-rein and authoritarian. Each technique has its own relative strength. Each technique can be used in different cases depending upon the nature of superior and subordinates and the situational variables.

Consultative Principle: The supervisor or superior has consultation with his subordinates before issuing a direction. The consultation is made to find out the feasibility, enforceability and nature of problem. It does not mean that the superior is not capable of acting independently. Ultimately, the superior has the right to take any decision and give the directions. The co-operation of subordinates is necessary for successful implementation of any direction. Better motivation is available to the subordinates under this direction technique.

Free-rein: The subordinate is encouraged to solve the problem independently under this direction technique. The superior assigns the task generally. The subordinates should take initiative to solve the problem. Only highly educated, efficient and sincere sub-ordinates are required to apply these direction techniques.

Authoritarian direction: This direction is just opposite to free-rein direction technique. Here, the supervisor commands his subordinates and has close supervision. The supervisor gives clear and precise orders to his sub-ordinates and act accordingly. There is no way left to the sub-ordinates to show their initiatives.

8.6 Summary

Among all the factors of production, the human factor is the only active factor of production. Staffing is among the most critical tasks of a manager. Personnel management or HRM are concerned with providing timely supplies of competent manpower and ensuring its most effective and efficient utilization. Staffing includes manpower planning, job analysis, recruitment and selection, placement, training and performance appraisal. Manpower planning means planning for the future personnel needs of the organization. After manpower planning job analysis is done which means matching job specification with job description. Job recruits can be drawn from within or outside the organization. Recruitment is a positive process whereas selection is a negative process. Placement and orientation help the new employee and the organization to accommodate each other. Directing means the interpersonal aspect of managing which seeks to put human beings into action towards achievement of the organizational goals. Supervision, motivation, leadership and communication are key elements of directing.

8.7 Glossary

Line authority: The power to give direct orders to subordinates.

Job: A job is a group of positions that are similar in skill responsibilities and knowledge. Job is impersonal and must have a name or title. A group of jobs in the entire industry is known as occupation. So job is impersonal whereas the position is personal.

Job analysis: It is a systematic analysis of each job for the purpose of collecting information as to what the job-holder does under what circumstances it is performed and what- qualification are required for doing the job. Job descriptions and job specifications are the immediate products of job analysis.

Job description: A job description is a statement of the purpose, scope, duties and responsibilities of a specific job.

Job-evaluation: It is a systematic process of determining the relative worth of the job in terms of factors laid down in the job description.

Job satisfaction: A positive attitude towards one's job.

Job specification: It is a statement which lays down -the minimum qualifications essential for each job.

Performance: The organization's ability to attain its goals by using resources in an efficient and effective manner.

Position: 'A position is a group of tasks assigned to one individual'. There are as many positions as the number of persons in an organization. It is personal.

Staffing: It is the process of attracting, developing and evaluating individuals at work.

8.8 Check Your Progress

1. Fill in the blanks

- a) The process of identifying, assigning, positioning, evaluating, and directing individuals on the job is called
- b) is concerned with individuals and their relationships with one another.
- c)describes the tasks performed, the responsibilities involved, the training required, the working conditions, and the relationship to other jobs.
- d)are conducted to familiarize new employees with the organization and help them perform their work effectively.
- e)is the process of directing, guiding, counseling, motivating and leading human resources to achieve organizational goals.

2. State whether True or False

- a) The results of a job analysis are set down in job specification.
- b) Staffing and Human Resource Management are different.
- c) Job analysis matches job description with job specification.
- d) Job description provides information about nature of the job.
- e) Job specification provides information about nature of the organization.
- f) Recruitment is a positive process of inviting job application.
- g) Recruitment means placing people at various posts.
- h) Recruitment only invites application from outside the organization.
- i) Selection is a negative process.
- j) The best match between job description and job specification is selection.
- k) Training improves competence of a person on the present job.
- l) Development does not improve a person's competence on future jobs.
- m) Performance appraisal is always done by superiors.
- n) Job appraisal and promotions are not related.
- o) Direction is influencing the behavior of people in the organization.
- p) Direction function is always supported by rules and regulations.

8.9 Answers to Check Your Progress

- 1. a) Staffing b) Personnel Management c) Job Description d) Orientation e) Direction
- 2. a) False b) False c) True d) True e) False f) True g) False h) False
- i) Ttrue j) True k) True l) False m) False n) False o) True p) False

8.10 Terminal Questions

Q1. Define staffing. What is the importance of staffing as a function of management?

Q2. Outline the steps involved in staffing process.

Q3. What is recruitment? What are the various sources of recruitment?

Q4. Differentiate between recruitment and selection.

Q5. What do mean by training? Explain the various methods of training.

Q6. Differentiate between training and development.

Q7. What is performance appraisal? Describe its objectives and importance.

Q8. Define direction and explain the importance of direction.

Q9. What are the main elements of direction?

Q10. Describe the meaning and principles of direction.

Q11. Write short notes on

- a) HRM
- b) Job analysis
- c) Job Specification
- d) Job description
- e) Techniques of direction
- f) Placement and orientation

8.11 References

1. W.H. Newman, C.E. Sumer and E.K Warren, The Process of Management-Concepts, Behaviour and Practice, New Delhi, Prentice Hall of India, 1990.
2. Harlod Koontz and Cyril 0' Donnell, Essentials of Management, New Delhi, Tata McGraw-Hill Book Company, 2000.
3. W. F. Glueck, Management, Hinsdale, Illinois, The Dryden Press, 1990.
4. R.A. Baron, Behaviour in Organisation, Boston, Allyn & Bacon, 2000.
5. Peter F. Drucker, Management; Tasks, Responsibilities and Practices, New Delhi, Allied Publishers, 1975.
6. D.A:Wren and D. Voich, Management, New York, John Wiley, 1990.
7. W.B. Stevenson, J.L. Pierce and L.W. Porter, The Concept of Coalition in Organisation Theory and Research, Academy of Management Review, (10) 1985.
8. Gupta, C.B.; Management Concepts and Practices, Sultan Chand and Sons, New Delhi.
9. Harold, Koontz and Weirich; Management, Tata McGraw Hill Publishing Company, New Delhi.
10. Prasad, L.M.; Principles and Practice of Management, Sultan Chand & Sons, New Delhi.
11. Stephen, P. Robbins and Mary Coulter; Management, Pearson Education, New Delhi.

UNIT – 9 CO-ORDINATION

Structure

- 9.1 Introduction
- 9.2 Co-ordination: Meaning
- 9.3 Co-ordination: Need, Importance and Significance
- 9.4 Principles of Co-ordination
- 9.5 Co-ordination Process
- 9.6 Techniques of Co-ordination
- 9.7 Types of Co-ordination
- 9.8 Problems in Co-ordination
- 9.9 Summary
- 9.10 Glossary
- 9.11 Check Your Progress
- 9.12 Answer to Check Your Progress
- 9.13 Terminal Questions
- 9.14 References

Objectives

After reading and studying this unit, you should be able to:

- Describe the concept of co-ordination including its need, importance and significance.
- Describe various principles and techniques to achieve co-ordination.
- Distinguish between different types of co-ordination.
- Identify problems faced during co-ordination process.

9.1 Introduction

In every organization, different types of work are performed by various groups and no single group can be expected to achieve the goals of the organization as a whole. Also non human resources like money, material, and machines require proper combination with human resources. Hence, it becomes essential that the activities of different resources, work groups and departments should be harmonized. This function of management is known as ‘co-ordination’. It ensures unity of action among individuals, work groups and departments, and

brings harmony in carrying out different activities and functions so as to achieve the organizational goals efficiently. In this unit we will discuss more about the concept of co-ordination.

9.2 Co-ordination: Meaning

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

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

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

According to J. Lundy, “Co-ordination involves the development of unity of purpose and the harmonious implementation of plans for the achievement of desired ends.”

Co-ordination may be defined as an orderly arrangement of group efforts to provide unity of action in the realization of common purpose. The primary reason for co-ordination is that departments and work group are interdependent. They depend on each other for information and resources to perform their respective activities. The process by which the manager brings unity of action in an organization is co-ordination. Thus, manager at all level are required to coordinate the efforts of subordinate.

According to Koontz and O'Donnell, “It seems more accurate to regard co-ordination as the essence of managership for the achievement of harmony of individual efforts towards the accomplishment of group goals as the purpose of management. Each of the managerial functions is an exercise in co-ordination.”

On the basis of above definition, we can state that co-ordination is an integral element of all the managerial functions. Let us discuss the relationship of co-ordination with other functions of management.

1. **Co-ordination through planning**: planning facilitates co-ordination by integrating the various plans through mutual discussion exchange of ideas .for example, co-ordination between production output and sales.

2. **Co-ordination through organizing:** Mooney considers co-ordination as the very essence of organizing. In fact when a manager groups and assigns various activities to subordinates and when he creates department's co-ordination uppermost in his mind.
3. **Co-ordination through staffing:** a manager should bear that the right number of personnel in various positions with right type of education and skills are taken which will ensure right men on the right job.
4. **Co-ordination through directing:** the purpose of giving orders, instructions and guidance to the subordinates is served only when there is a harmony between superior and subordinates.
5. **Co-ordination through controlling:** manager ensures that there should be co-ordination between actual performance and standard performance to achieve organizational goals.

From above discussion, we can very much affirm that co-ordination is the very much essence of management. It is required in each & every function and at each & every stage & therefore it cannot be separated. Co-ordination is a principle of management, and all other principles are included in this one principle, i.e. co-ordination is the "Mother Principle".

9.3 Co-ordination: Need, Importance and Significance

Need for Co-ordination

Co-ordination is the basic cementing or binding force in an organization. The need for co-ordination mainly arises because of the following disintegrating or diverse forces:

1. **Size and complexity of operations in large organizations:** In a diverse organization, operations are multiple, complex and large in magnitude. In a large organization, a large number of people process the work at various levels. These people may work at cross purpose if their efforts and activities are not properly coordinated. This creates the need for better co-ordination.
2. **Specialization:** In today's organizations, work is divided among various specific functions. So we have manufacturing, financing, personnel and marketing functions. Each function has its own limitations, goals to achieve and a tendency of considering its operation as supreme. Thus a need of co-ordination is felt to bring a vision among various functions for the achievement of not only individual goals, but organizational goals.
3. **Conflicts of interests:** Individuals fail to appreciate that the achievement of organizational goals will satisfy their own goals; rather they work towards attainment of

their narrow personal goals sacrificing organizational goals. Co-ordination helps to avoid conflict between individual and organizational goals.

4. **Different working style and attitudes:** The capacity, talent and speed of people differ widely. Every individual has his own way of doing things and his own way of dealing with problems. The need for co-ordination arises owing to the difference in attitudes and different working styles of people in an organization. Co-ordination is required to reconcile differences in approach, timing and effort of various departments, with a view to secure unity of action.

Importance of Co-ordination

The importance of co-ordination can be understood from below mentioned statements:

1. **Co-ordination encourages team spirit:** There exist many conflicts and rivalries between individuals, departments, between a line and staff, etc. Similarly, conflicts are also between individual objectives and organizational objectives. Co-ordination arranges the work and the objectives in such a way that there are minimum conflicts and rivalries. It encourages the employees to work as a team and achieve the common objectives of the organization. This increases the team spirit of the employees.
2. **Co-ordination gives proper direction:** There are many departments in the organization. Each department performs different activities. Co-ordination brings together these activities for achieving the common goals or objectives of the organization. Thus, co-ordination gives proper direction to all the departments of the organization.
3. **Co-ordination facilitates motivation:** Co-ordination gives freedom to the employees. It encourages the employees to show initiative. It also gives them many financial and non-financial incentives. Therefore, the employees get job satisfaction, and they are motivated to perform better.
4. **Co-ordination makes optimum utilization of resources:** Co-ordination helps to bring together the human and materials resources of the organization. It helps to make optimum utilization of resources. These resources are used to achieve the objectives of the organization. Co-ordination also minimizes the wastage of resources in the organization.
5. **Co-ordination leads to higher efficiency:** Efficiency is the relationship between Input and Output. There will be higher efficiency when the outputs are more and the input is less.

Since co-ordination leads to optimum utilization of resources it results in more returns and low cost. Thus, co-ordination leads to higher efficiency.

Significance of Co-ordination

1. **Group efforts:** Co-ordination applies to the group effort; not individual effort. It refers to the unification or unrelated or diverse interest which must be brought together if purposeful work is to accomplish effectively.
2. **Unity of action:** The purpose of co-ordination is to secure unity of action in the realization of common purpose. It acts as a binding force between departments and ensures that all actions are aimed at achieving the goals of the organization.
3. **Continuous process:** Co-ordination is not a one time function but a continuous process. It is a never-ending process of ensuring the achievement of objectives.
4. **Pervasive function:** Co-ordination is required at all levels of management due to interdependent nature of activities of various departments. It integrates the levels of the entire department at all levels. In the absence of co-ordination, there is overlapping instead of harmony and integration of activities.
5. **Manager's responsibility:** Co-ordination is the function of every manager in the organization. Top, middle and low level, all have to coordinate their activities to ensure that work proceeds according to plans.
6. **Deliberate function:** A manager has to coordinate the efforts of different people in a conscious and deliberate manner. Even where members of a department willingly cooperate and work, co-ordination gives a direction to that willing spirit. It is achieved by conscious managerial action; it is not automatic.

9.4 Principles of Co-ordination

Mary Parker Follett has laid out four principles for effective co-ordination.

1. **Direct personal contact:** In the first principle, Mary Parker Follett state that, co-ordination is best achieved through direct personal contact with people concerned. Direct face-to-face communication is the most effective way to convey ideas and information and to remove misunderstanding. Co-ordination cannot be achieved by force, order or coercion.

2. **Early beginning:** Co-ordination can be achieved more easily in early stages of planning and policy-making. Therefore, plans should be based on mutual consultation or participation. Integration of efforts becomes more difficult once the uncoordinated plans are put into operation. Early co-ordination also improves the quality of plans. Co-ordination, if not initiated in the early stages of planning and policy formulation, becomes difficult to exercise in the later stages of execution of plans.
3. **Reciprocity:** This principle states that all factors in a given situation are interdependent and interrelated. For instance, in a group every person influences all others and is in turn influenced by others. When people appreciate the reciprocity of relations, they avoid unilateral action and co-ordination becomes easier.
4. **Continuity:** Co-ordination is an on-going or never-ending process rather than a once-for-all activity. It cannot be left to chance, but management has to strive constantly. Also co-ordination is involved in every managerial function.

In addition to the four principles listed by Follett above, there are other principles which are also applicable to co-ordination, they are

1. **Simplified organization:** Simplified organizations also facilitate effective co-ordination. The management can arrange the departments in such a way, to get better co-ordination among the departmental heads.
2. **Self co-ordination:** Based on the principle of reciprocity, according to this principle every department modifies its functions in such a manner that it may affect other department favorably. In this way, co-ordination is achieved.
3. **Effective communication:** Effective communication is necessary for proper co-ordination.

9.5 Co-ordination Process

Co-ordination cannot be achieved by force or imposed by authority as discussed in the first principle of co-ordination. It can be achieved through person-to-person, side-by-side relationships.

Achieving effective co-ordination is a sequential process. It is possible only when the following conditions are fulfilled.

1. **Clearly defined and understood objectives:** Every individual and each department must understand what is expected of them by the organization. Top management must clearly state the objectives for the enterprise, as a whole. The various plans formulated in the enterprise must be interrelated and designed to fit together.
2. **Proper division of work:** The total work must be divided and assigned to individuals in a proper way. Based on the principle, 'a place for everything and everything in its place'.
3. **Simple organization structure:** The various departments in the organization must be grouped in such a way that work moves smoothly from one phase to another. Too much specialization may complicate the co-ordination work.
4. **Clear lines of authority:** Authority must be delegated in a clear way. The individual must know, what is expected of him by his superior(s). Once authority is accepted, the subordinate must be made accountable for results, in his work area. Also superior could decrease the conflicts and get co-ordination
5. **Regular and timely communication:** Personal contact is generally considered to be the most effective means of communication for achieving co-ordination. Other means of communication such as records, reports, may also be used in order to supply timely and accurate information to various groups in an organization.
6. **Sound leadership:** Real co-ordination can be achieved only through effective leadership. Top management, to this end, must be able to provide (i) a friendly work environment, (ii) proper allocation of work, (iii) incentives for good work, etc. It must persuade subordinates, to have identity of interests and to adopt a common outlook.

9.6 Techniques of Co-ordination

Managers can use a number of techniques for achieving co-ordination. The important techniques are discussed below:

1. **Sound planning:** Unity of purpose is the first essential condition of co-ordination. Therefore, the goals of the organization and the goals of its units must be clearly defined. Planning is the ideal stage for co-ordination. Clear-cut objectives, harmonized policies and unified procedures and rules ensure uniformity of action.
2. **Simplified organization:** A simple and sound organization is an important means of co-ordination. The lines of authority and responsibility from top to the bottom of the

organization structure should be clearly defined. Clear-cut authority relationships help to reduce conflicts and to hold people responsible. Related activities should be grouped together in one department or unit. Too much specialization should be avoided as it tends to make every unit an end in itself.

3. **Effective communication:** Open and regular communication is the key to co-ordination. Effective interchange of opinions and information helps in resolving differences and in creating mutual understanding. Personal and face-to-face contacts are the most effective means of communication and co-ordination. Committees help to promote unity of purpose and uniformity of action among different departments.
4. **Effective leadership and supervision:** Effective leadership ensures co-ordination both at the planning and execution stage. A good leader can guide the activities of his subordinates in the right direction and can inspire them to pull together for the accomplishment of common objectives. Sound leadership can persuade subordinates to have identity of interest and to adopt a common outlook. Personal supervision is an important method of resolving differences of opinion.
5. **Chain of command:** Authority is the supreme co-coordinating power in an organization. Exercise of authority through the chain of command or hierarchy is the traditional means of co-ordination. Co-ordination between interdependent units can be secured by putting them under one boss.
6. **Indoctrination and incentives:** Indoctrinating organizational members with the goals and mission of the organization can transform a neutral body into a committed body. Similarly incentives may be used to create mutuality of interest and to reduce conflicts. For instance, profit-sharing is helpful in promoting team-spirit and co-operation between employers and workers.
7. **Liaison departments:** Where frequent contacts between different organizational units are necessary, liaison officers may be employed. For instance, a liaison department may ensure that the production department is meeting the delivery dates and specifications promised by the sales department. Special co-coordinators may be appointed in certain cases. For instance, a project co-coordinator is appointed to co-ordinate the activities of various functionaries in a project which is to be completed within a specified period of time.

8. **Co-ordination staff:** In large organizations, a centralized pool of staff experts is used for co-ordination. A common staff group serves as the clearing house of information and specialized advice to all department of the enterprise. Such general staff is very helpful in achieving inter-departmental or horizontal co-ordination. Task forces and projects teams are also useful in co-ordination.
9. **Voluntary co-ordination:** When every organizational unit appreciates the workings of related units and modifies its own functioning to suit them, there is self-co-ordination. Self-co-ordination or voluntary co-ordination is possible in a climate of dedication and mutual co-operation. It results from mutual consultation and team-spirit among the members of the organization. However, it cannot be a substitute for the co-coordinative efforts of managers.

9.7 Types of Co-ordination

The co-ordination may be divided on different bases, namely;

1. **Scope:** On the basis of scope or coverage, co-ordination can be.

Internal: It refers to co-ordination between the different units of an organization within and is achieved by integrating the goals and activities of different departments of the enterprise.

External: It refers to co-ordination between an organization and its external environment comprising government, community, customers, investors, suppliers, competitors, research institutions, etc. It requires proper match between policies and activities of the enterprise and the outside world.

2. **Flow:** On the basis of flow, co-ordination can be classified into:

Vertical: It implies co-ordination between different levels of the organization and has to ensure that all the levels in the organization act in harmony and in accordance with the goals and policies of the organization. Vertical co-ordination is assured by top management through delegation of authority.

Horizontal or lateral: It refers to co-ordination between different departments and other units at the same level of the management hierarchy. For instance, co-ordination between production department and marketing department is horizontal or lateral co-ordination.

Co-ordination may also be classified as:

Procedural and substantive: Which according to Herbert A. Simon, procedural co-ordination implies the specification of the organization in itself, i.e. the generalized description of the behavior and relationship of the members of the organization. On the other hand, substantive co-ordination is concerned with the content of the organization's activities.

9.8 Problems in Co-ordination

Co-ordination is necessary for the smooth and successful functioning of the management. But in practice co-ordination faces certain problems listed below:

1. **Natural hindrances:** Co-ordination is not an effective one due to some natural hindrances. The term natural hindrances includes flood, earthquake, fire, etc. these affect the behavior of individuals and the group as a whole. It results in ineffective co-ordination.
2. **Lack of administrative talent:** It arises due to the selection of inefficient candidates. They do not understand the administrative procedure properly. This results in ineffective co-ordination.
3. **Lack of techniques of co-ordination:** Management is not interested to find out new techniques for effective co-ordination. The reason is that it is good enough for the development of an organization. If the management uses a number of techniques of co-ordination, the problems of co-ordination can be easily tackled.
4. **Ideas and objectives:** Each management has its own objectives and finds ways to achieve those objectives. But, the managers confuse these objectives with ideas. It poses the problem of co-ordination.
5. **Misunderstanding:** There are a number of personnel employed in an organization. They should have mutual understanding with each other. But, the problem of the co-ordination creeps in due to understanding among employees very often.

9.9 Summary

To achieve results, managers have to combine physical, financial and human resources in an effective and efficient way. Co-ordination is a conscious and deliberate blending of activities to achieve unity of action. Co-ordination is important to the success of any enterprise. It pulls all the functions and activities together, improves human relations and increases inter-departmental harmony. Co-ordination is built around certain time-tested principles. Co-

ordination is easy to achieve through direct interpersonal relationships and communications. Co-ordination should be initiated in the early stages of planning. All departments and units must realize the inter-relatedness of their work, as in the case of an open system, and act cooperatively. Co-ordination is a continuous process and is involved in every management function. The process of co-ordination involves a series of steps: clear goals, proper allocation of work, sound organization structure, clear reporting relationships, proper communication and sound leadership.

9.10 Glossary

Attitudes: A learned predisposition to respond in a consistently favorable or unfavorable manner with respect to a given object.

Co-operation: The voluntary effort of individuals to work together and to help each other.

Co-ordination: Orderly arrangement of group efforts to provide unity of action in the pursuit of a common purpose.

Leadership: An attempt to use non coercive types of influence to motivate individuals to accomplish some goal.

Motivation: A concept that describes the forces acting on or within an employee that initiate and direct behavior.

Specialization: Part of the division of labor in which a given task is broken down as far as possible into subtasks, each of which then becomes the responsibility of a specialist worker.

9.11 Check Your Progress

A. Fill in the blanks

- a.a sequential arrangement of group efforts to provide unity of action towards a common objective.
- b. Coordination is easily achieved in the early stages of
- c. is the coordination between all departments and units located at the same level of the management hierarchy.
- d.Coordination ensures that all levels of the organization function harmoniously and in accordance with the organization's goals and policies.

B. State whether True or False

- a. Co-ordination is same as cooperation.
- b. The need for co-ordination is felt to integrate the activities of an organization.

- c. By creating independent units need for co-ordination increases.
- d. Co-ordination harmonizes corporate and individual goals.
- e. Hierarchy, effective communication, indoctrination are some of the important techniques of Co-ordination.
- f. Co-ordination must be visualized from early stage of planning and policymaking.
- g. Horizontal co-ordination takes place sideways.
- h. Greater co-ordination is not needed in sequential rather than pooled interdependence.
- i. Managerial activity requires co-ordination and control.
- j. Internal co-ordination will be co-ordination between branch offices, workers and managers, co-ordination with employees of same dept.

9.12 Answer to Check Your Progress

- A.** a. Co-ordination b. Horizontal or Lateral Co-ordination c. Planning and policy making d. Vertical
- B.** a. False b. True c. False d. True e. True
f. True g. True h. False i. True j. True

9.13 Terminal Questions

- Q1. Define co-ordination. What are the reasons of co-ordination?
- Q2. Describe the importance and principles of co-ordination.
- Q3. Explain the technique for achieving co-ordination.
- Q4. Describe the process of co-ordination. What problems are to be faced in the process?
- Q5. Management is the coordination and integration of all resources for specific purposes. Explain.
- Q6. “Co-ordination is the very essence of management”. Do you agree? Give reasons

9.14 References

- 1. Robbins S. P. and Decenzo David, “A. - Fundamentals of Management: Essential Concepts and Applications”, Pearson Education, 5th Ed.
- 2. Hillier Frederick S. and Hillier Mark S. Introduction to Management Science: A Modeling and Case Studies Approach with Spreadsheets, Tata Mc Graw Hill, 2nd Ed., 2008.
- 3. Weihrich Heinz and Koontz Harold, “Management: A Global and Entrepreneurial Perspective”, Mc Graw Hill, 12th Ed., 2008.
- 4. R. Satya Raju and A. Parthasarathy, “Management Text and Classes”, PHI, 2nd Ed., 2009.
- 5. Stoner, Freeman & Gilbert Jr, Management, Prentice Hall of India, 6th Edition.

6. Koontz, Principles of Management, Tata Mc Graw Hill, 1st Edition.
7. Robbins & Coulter, Management, Prentice Hall of India, 8th Edition.

.

UNIT – 10 COMMUNICATIONS

Structure

- 10.1 Introduction
- 10.2 Communication: introduction
- 10.3 Functions of Communication
- 10.4 Importance of Communication
- 10.5 Elements of Communication Process
- 10.6 Basic Principles of Communication
- 10.7 Types of Communication
- 10.8 Barriers in Communication
- 10.9 Improving Communication effectiveness
- 10.10 Summary
- 10.11 Glossary
- 10.12 Check Your Progress
- 10.13 Answer to Check Your Progress
- 10.14 Terminal Questions
- 10.15 References

Objectives

After reading and studying this unit, you should be able to:

- Describe the principle of communication, its importance and function.
- Describe the communication process.
- Distinguish between various types of communication.
- Identify barriers to communication.
- Identify measures to improve communication.

10.1 Introduction

Communication refers to the process of passing information and understanding from one person to another. It involves an exchange of facts, ideas, opinions or emotions by two or more individuals. It is necessary for better performance of job. Communication is also a part of the

function of management. As a manager should communicate the policies, plans, programmes of management to the subordinates and juniors for better co-operation. In this unit we will discuss the concept of communication and its role in day today management.

10.2 Communication: introduction

The term communication is derived from the Latin word ‘communis’ which means common. Thus, information common to a person should be communicated to him. Communication becomes a necessary element in human relationships by providing the foundation for human interaction.

Although, communication applies to all phases of managing, it is particularly important in the absence of leading. Communication is the process through which an information, idea, opinion is transferred from a sender to a receiver with the information being understood by the receiver.

According to Rogers, “Communication is a process by which people create and share information with one another in order to reach common understanding.”

According to Newman & Summer, “Communication is an exchange of facts, ideas, opinions or emotions by two or more persons.”

According to Louis A. Allen, “Communication is the sum of all the things, one person does when he wants to create understanding in the mind of another. It involves a systematic and continuous process by telling, listening, and understanding.”

According to William Scott, “Communication is a process which involves the transmission and accurate replication of ideas to ensure by a feedback for the purposes of eliciting actions which will accomplish organizational goals.”

According to Koontz and O'Donnell, “Communication is an intercourse by words, letters, symbols or messages and is a way that one organization member shares meaning and understanding with one another.”

10.3 Functions of Communication

1. **Information function:** Information is essential for the functioning of any living system—people or organization. No organization can fulfill its goals except to the extent that its communication process furthers its movement towards its specified goals in some way. Therefore, it is an individual's ability to affect each other communicatively which has so

greatly increased the importance of the information giving and receiving aspect of individual's existence.

2. **Command and instructive function:** Communication performs command and instructive function. Those who are hierarchically superior- whether in family, business, civil, or military- often initiate communication not only for the purpose of informing their subordinates but for the purpose of informing their subordinates but often for the purpose of telling them what to do, directing them or commanding their behaviors in some way.
3. **Influence or persuasive function:** communication takes place at all levels in an organization. Leadership, to a very great extent, depends upon how the manager communicates with his employees and others who may be related with the organization in one way or other.
4. **Integrative function:** Integrative function of communication helps in maintaining equilibrium between various components of the organization. The integrative function also includes all behavioral operations which (i) serve to keep the system in operation, (ii) serve to regulate the interaction process, and (iii) relate the particular context to the larger context of which the particular interaction is but a special situation.

10.4 Importance of Communication

Communication is one of the most central aspects of managerial activities. The implementation of policies and programs of management is possible only through effective communication. Importance of communication can be brought into limelight, through the following points:

1. **An aid to managerial performance:** Communication is the basis of organizational functioning. A manager can take appropriate decisions with the help of communication. The manager can impart the objectives of organization to the subordinates through communication.
2. **An aid to planning:** Communication is an aid to the process of decision-making in general; and planning in particular. Communication helps the planning process in a number of ways, such as: i) It helps executives to interact and provide vital inputs to plans, ii) It helps executives to establish relationship with subordinates, understand their point of view and gain realistic information on which sound plans could be prepared, iii) It helps executives to explain the contents of the plan in a clear way and secure their acceptance.

3. **Aid to leadership:** Communication is the basis of leadership. Management uses the communication as transmitter to forward its ideas, feelings, suggestions and decisions to the employees. The employees would communicate their problems, needs and response to the management. Under this two way communication, the management can assume itself as a leader of its employees. The better is the communication system existing between the leader and his followers; the better are likely to be the results, produced by the group, during the process of existing leadership.
4. **Acts as basis of co-ordination:** A large scale business organization employs a large number of workers where co-ordination is needed among such workers to attain organizational goals. The co-ordination is obtained through communication only.
5. **Helps in decision-making:** Good communication system provides all the necessary information, which enables the manager to take quality decisions in proper time. In the absence of communication, it may not be possible for the managers to take any meaningful decisions.
6. **Communication facilitates delegation of authority:** Delegation of authority is entirely based on the process of communication. Maintaining open lines of communication between the superior and the subordinate, is a prerequisite for successful delegation of authority.
7. **Communication helps building good public relations:** The term public includes customers, potential customers, shareholders, member of the public, state government, central government and the like. The management can create good image among the public through effective communication. In this way, the management can maintain better public relations.
8. **Boosts morale and provides motivation:** An efficient system of communication enables management to motivate, influence and satisfy the subordinates. Communication is the basis of participative and democratic pattern of management communication helps to boost morale of employees and managers.

10.5 Elements of Communication Process

Communication, being a process, must have some elements to complete the process. These elements are sender, message, encoding, channel, receiver, decoding, and feedback which are represented in the figure.

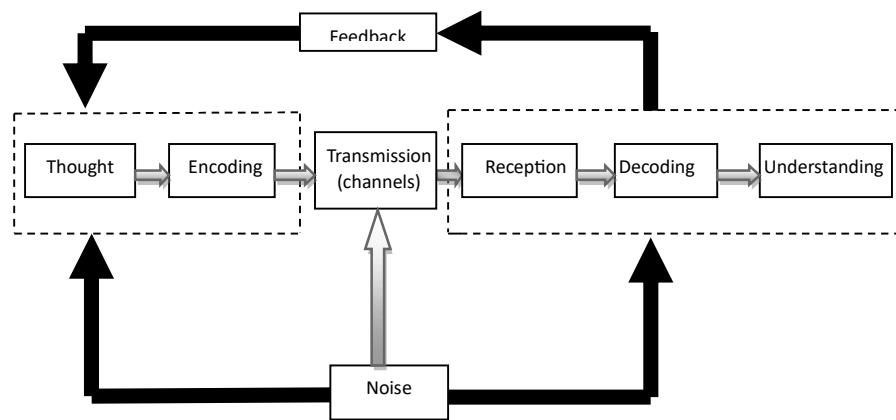


Figure 1:- A Communication Process Model

1. Sender:

Sender means a person who is supposed to convey his thoughts or ideas to the receiver. From the organization point of view, the sender may be a superior, a subordinate, a peer or any other person. The organizational position of the sender determines the direction of communication in the organization. A message flowing from a superior to subordinate is known as downward communication; message flowing from the subordinate to the superior is known as upward communication; message flowing from a person to another person working at the same hierarchical level is known as horizontal communication.

2. Message:

This is background step to the process of communication; which, by forming the subject matter of communication necessitates the start of a communication process. It is the content of ideas, feelings, suggestions, order etc., intended to be communicated. Sometimes, people use message and communication interchangeably. For example, A asks to B, 'have you ever received any communication from your company on this issue.' Though technically, the use of the term communication in place of message is wrong, the meaning of the communication content may be understood correctly.

3. Encoding:

It is the process of converting the message into meaningful symbols such as words, pictures, gestures etc., since the ideas, opinions, feelings, views, orders, suggestions, etc. which are the subject matter of communication are abstract and intangible, their transmission requires the use of certain meaningful symbols such as words, pictures, gestures and other body language. The

term meaningful symbols are important because if the symbols are not meaningful, message cannot be understood by the receiver correctly.

4. Channels:

It is the path through which encoded message is transmitted to receiver. The channel may be in written words in the form of letter or electronic mail, spoken words through personal contact or telephone depending on the situation of the parties- sender and receiver.

5. Receiver:

Receiver is the person who receives message of the sender. Like the sender, the receiver may be a superior, a subordinate, a peer, or any other person in the organizational context. This is true for an interpersonal communication. In a group communication, the receiver is in the form of a group of persons, for example, addressing a group of employees by a manager in an organization.

6. Feedback:

To complete the communication process, sending feedback to communication, by the receiver to the sender is imperative. It includes all those actions of receiver which ensure that the receiver has received the message and understood it in the same manner as the receiver intended. Feedback is a common feature of all systems whether man-made or natural. Feedback is a system that helps in understanding whether the system is working properly. If it is not working properly, corrective actions are taken.

7. Noise:

Noise means some obstruction or hindrance to communication. This hindrance may be caused to sender, message or receiver. Some examples of noise are a poor telephone connection, gestures and postures that may distort the message or an inattentive receiver, etc.

10.6 Basic Principles of Communication

Some of the most basic principles of communication are discussed below:

1. It is impossible to avoid communicating
2. Communication is largely nonverbal
3. Context affects communication
4. Meanings are in people, not in words
5. Communication is irreversible

6. Noise affects communication
7. Communication is circular
8. Creating common goal is essential
9. Communication has effects

The first principle of communication is that it is impossible to avoid communicating. In other words, there is no such thing as non communication. DeVito (1988) notes that communication is inevitable, that people cannot be non communicative and people cannot be non responsive.

Communication is largely nonverbal. Impressions are made largely in response to nonverbal cues. The third principle state that has a direct relationship to successful communication is that context (environment) affects communication. Where (under what conditions) ideas are presented makes a difference in how they are interpreted. Physical conditions are one aspects of context.

Fourth principle important for success is that meanings are in people, not in words. Meanings are in the perception of decoders; people “mean”, but words do not. The message remembered by people often is not what communicator intended to say. The message remembered is whatever the listeners interpret it to be.

Another important principle is that communication is irreversible. At once time or another people may have wished they could change what they have said or done. Unfortunately, that is simply impossible. People may give additional information or a rationalization for their previous actions, but they can only modify the impression they have already made. This is also a major drawback of communication.

Sixth principle of communication is that noise is a factor in any communication situation. Noise is any factor that interferes with the clear and accurate transmission of a given message.

Communication is circular, not linear. This means that people send and receive communication simultaneously. Because of it's simultaneously aspects, the communication process could be considered a circle or spiral rather than a line. People process feedback while they speak to others, and they speak to themselves –think- while others are speaking.

The eighth principle is that communication is most efficient when the participants share a considerable amount of common experience. Common experience is achieved by using shared symbols and speaking from a shared history. Misunderstandings are less likely in such situations.

And the last principle is that communication always has an effect of some kind. For every communication act, there will be consequences. People can even feel a sense of accomplishment in a communication exchange in which a listener does not respond verbally.

10.7 Types of Communication

Communications can be classified in various ways; some of the important ones are discussed below:

10.7.1. On the basis of organizational relationship

On the basis of organizational relationship, communication can be classified in to two categories:

- i) Formal communication and
- ii) Informal communication

1. Formal communication:

The formal channel, as the name implies, is the deliberately created, officially prescribed path for flow of communication between the various positions in the organization. All three forms are used in formal communication, i.e. oral, written and non verbal. Sometimes it may be termed as 'through proper channel'. Through proper channel is an attempt to regulate the flow of communication and to ensure smooth, accurate and timely passing of information. The pattern through which communication flows within the organization is generally indicated through communication network. Different types of communication networks may operate in formal organization. Some of the popular communication networks are presented and discussed in following figures.

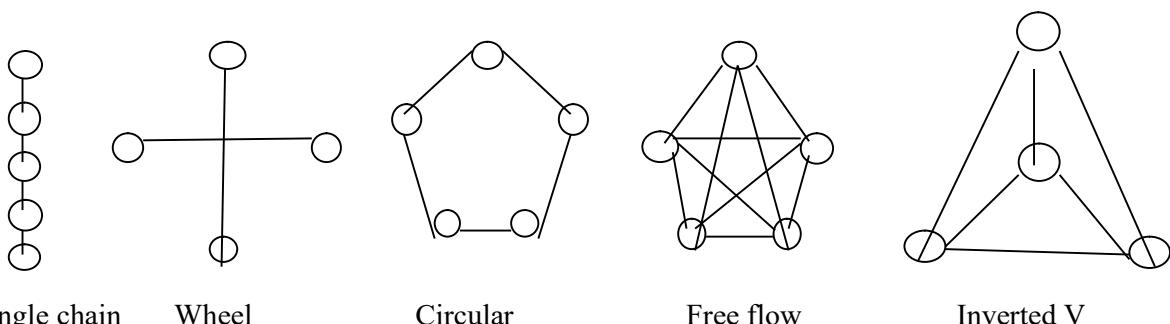


Figure 2:- Communication Network

Single chain: This network exists between a superior and his subordinates. Since there may be a number of levels in an organization structure, communication flows from every superior to his subordinates through single chain.

Wheel: In wheel network, all subordinates under one superior communicate through him only as he acts as a hub of the wheel. The subordinates are not allowed to talk among themselves. In this network, problem of co-ordination is the main drawback.

Circular: In circular network, the communication moves in a circle. Each person can communicate with his adjoining two persons. In this network, communication flow is slow.

Free Flow: In this network, each person can communicate with others freely. In this network, communication flow is fast but problem of coordination exists. This is followed in free-form organization or in task force.

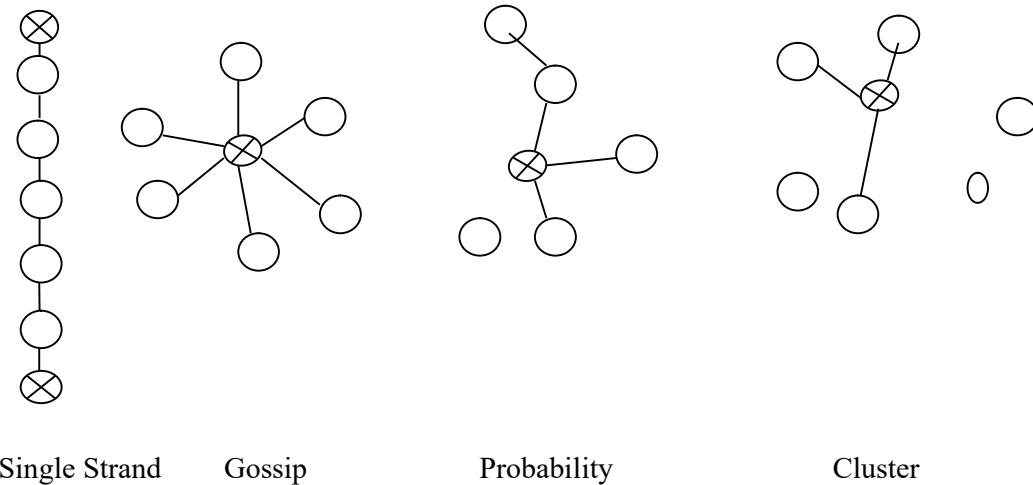
Inverted V: In this network, an individual is allowed to communicate with his immediate superior as well as his superior's superior. In the later case, only prescribed communication takes place. In such a network, communication flow is faster. Some of these networks allow for speedy flow of communication and provide satisfaction to the individuals. Some of these are used to control unnecessary flow of communication.

2. Informal Communication:

Communication that takes place without following the formal lines i.e. formalities, rules and regulations of an organization. Most executives use the informal communication as a supplement to formal communication. The informal communication arises out of needs of employees to exchange their views, which cannot be done through formal channels. Workers chit chatting in a canteen about the behaviors of the superior, discussing about rumors that some employees are likely to be transferred are some examples of informal communication.

Informal communication is also known as 'Grapevine' because it spreads information throughout the organization with its branches going out in all directions in utter disregard to the levels of authority.

Grapevine Network: Grapevine communication may follow different types of network. Usually, there are four types of pattern through which grapevine travels. These are single strand, gossip, probability, and cluster. In each pattern, communication among different individuals is different as shown in Figure 3.

**Figure 3:- Grapevine Communication Network**

In single strand network, each person communicates to the other in sequence.

In gossip network, the individual communicates non-selectively. In probability network, the individual communicates randomly with other individuals according to the law of probability.

In cluster network, the individual communicates only with those people whom he trusts of these four types of networks. Cluster is the most important in the organizations.

Although grapevine information tends to be oral, it may be in written form too. Sometimes, handwritten or typed notes are also used.

Table 1: A comparison between formal and informal communication

Basis of Distinction	Formal Communication	Informal Communication
Speed	Speed of message travel is slow because of formalization.	Message travels faster.
Nature	Formal communication is impersonal and official. It is a source of tension to individuals, in many cases.	Informal communication is personal and unofficial. It is socio-psychological in nature. It relieves individuals of tension in many cases.
Authenticity	It is most authentic, as it takes place via the official scalar chain.	It is least authentic; as it spreads in a grapevine manner.
Distortion	Distortions in communication are not possible; especially when it is in writing.	There are distortions in informal communication according to the whims and prejudices of individuals.

Control	Formal communication is controllable by management. It could be subject to modification, subsequently.	Informal communication is wholly uncontrollable. It could not be subject to modifications subsequently; as the source of communication is not known at all.
Rigidity or Flexibility	Formal communication is based on the plans, rules and policies of the organization which are quite fixed, at least in the short run. It is rigid in nature.	Informal communication is quite flexible; as it is based on the personal likes and dislikes of individuals, which are ever changing.
Feedback	Feedback to communication may or may not be there. In fact, people at levels might not be able to express themselves freely on many organizational issues.	Immediate feedback is there. People can freely express their opinions about informal communication, without fear or favor.

10.7.2. On the basis of direction of flow of communication

On the basis of direction of flow, communication can be classified in to four categories:

- i) Downward communication
- ii) Upward communication
- iii) Horizontal communication and,
- iv) iv) Diagonal communication.

i) Downward communication:

Downward communication starts from the top level executive and ends with the lower functionaries through middle management. This kind of communication exists especially in organizations with an authoritarian atmosphere. It stands out as a great force for controlling, influencing, and initiating activities of organizational members. Communication in this category includes: orders and instructions about job, directions about understanding of jobs and its relationships with other jobs, organizational policies and procedures, feedback of subordinates' performance etc. in the organization, people at lower levels have a high degree of fear and respect towards such communication which leads to a high degree of acceptance of such communication. Coordination, distortion, and resistance are three important problems that characterize the downward communication.

While communicating the information, scalar chain is followed. The adoption of the scalar chain ensures proper communication.

ii) Upward communication:

Upward communication is just the reverse of downward communication. It flows from subordinates to superiors and continues up the organizational hierarchy. It includes information about: subordinate's work performance, problems relating to work, performance appraisal of their subordinates, feedback of understanding of orders, clarification of orders etc.

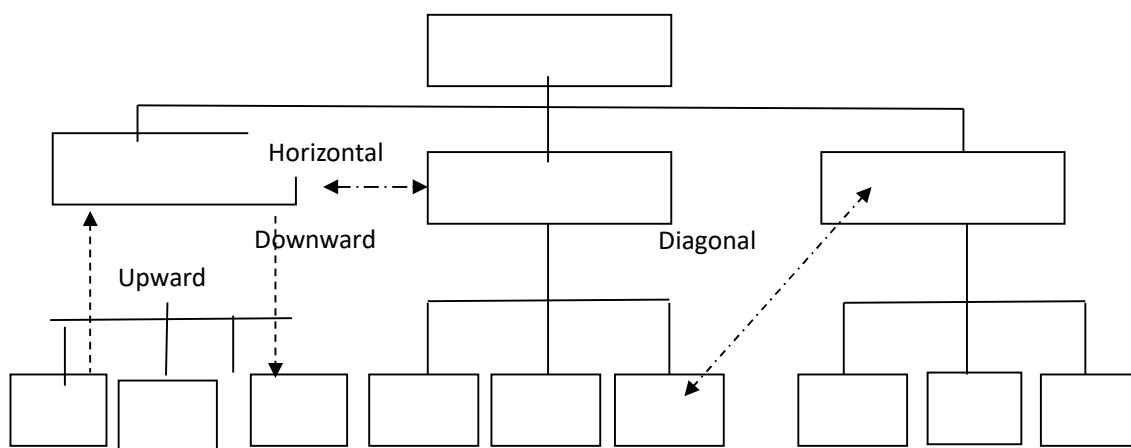


Figure 4: information flow in an organization

iii) Horizontal communication:

Horizontal or lateral communication refers to the passing of information among the executives who are at same level in an organization. Both the receiver and the sender may be in the same department or different departments. The main purpose of horizontal communication is to co-ordinate the activities of various departments or persons.

For example, a production manager may contact marketing manager to discuss about schedule of product delivery, product design, quality etc.

iv) Diagonal communication:

Diagonal communication is between two or more persons who are neither in the same section nor on the same level of organizational structure. Generally, it comes into operation when other systems of communication fail to convey the information effectively.

10.7.3. On the basis of way of expression

On the basis of way of expression, communication can be classified in to two categories:

- i) Oral communication and,
- ii) Written communication.

i) Oral communication:

Oral communication is also known as verbal communication. It is a way of transmitting messages etc. through words spoken by the sender of communication to the receiver of it. It is used when the contents of communication is little. Generally, in the case of emergency, oral communication is adopted. The real meaning is conveyed to the receivers by manner or tone of the voice. Sometimes, the sender can communicate the information effectively through facial expressions and attitudes. The receiver's understanding is colored by their emotions and attitudes.

ii) Written communication:

Written communication is a way of transmitting messages etc. through words reproduced in writing by the sender of communication for the information of the receiver of it. This communication is essential not only to small organizations but also to large organizations. This communication blinds the supervisors and the sub-ordinates.

Table 2: A comparison between oral and written communication

Basis of distinction	Oral communication	Written communication
Speed	Oral communication is quick; and rather immediate, in most of the cases.	Written communication is slow moving; because of procedural problems.
Feedback	There is immediate feedback to communication, by the receiver. As such communication can be modified, in view of this feedback.	Feedback to communication by the receiver is postponed. As such, communication cannot be modified immediately to get better response to communication.
Secrecy	Secrecy of communication is possible. Secret information could be conveyed only to the confidante.	Secrecy of communication is not possible. A written communication is an open secret. Even unintended person can easily get the news.
Seriousness	Oral communication might not be taken seriously, by the receiver.	Written communication is taken seriously, as per human psychology.

Effectiveness	Oral communication is effective because of personal touch. The personality of the sender influences the effectiveness of communication.	Written communication is less effective, because of an impersonal approach. Its influence over the receiver is rather restricted.
Scale of communication	Large scale communication is not possible through oral methods of communication.	Large scale communication could be easily undertaken through written methods of communication.
Cost	Oral communication is economical. Usually it is quite short. Thus it saves time and money.	Written communication is rather costly. Drafting of messages is required. Usually, it is somewhat lengthier. Thus, it requires more time and money.

10.8 Barriers in Communication

It is generally observed that manage face various problems due to communication breakdowns or barriers. The problem of communication arises because there are various obstacles which may entirely prevent a communication, filter part of it out, or give it incorrect meaning. These obstacles are known as communication barriers. These barriers may operate in organizational communication as well as in non-organizational communication.

The barriers to communication in the organizations can be broadly grouped as

- i) Semantic barriers
- ii) Psychological barriers or emotional barriers
- iii) Organizational barriers, and
- iv) Personal barriers.

Let us discuss each one in detail:

10.8.1. Semantic barriers

Semantics is the branch of linguistics dealing with meaning of words and sentences. Semantics is the science of meaning as contracted with phonetics, the science of sounds and these barriers are concerned with problems and obstructions in the process of encoding and decoding of message into words or impressions. Normally, such barriers result on account of use of wrong words, faulty translations, different interpretations etc. these are discussed below:

1. Un-clarified assumptions:

There are certain un-communicated assumptions which are subject to different interpretations. Though a message appears to be specific, its underlying assumptions may not be clear to the receiver. For example: - a boss may instruct his subordinate, "Take care of our guest". Boss may mean that subordinate should take care of transport, food, accommodation of the guest until he leaves the place. The subordinate may interpret that guest should be taken to hotel with care. Actually, the guest suffers due to these un-clarified assumptions.

2. Technical jargon:

It is often found that technical personnel and special groups tend to develop a special, peculiar and technical language of their own while explaining to persons who are not specialists in the concerned field. Therefore, they may not understand the actual meaning of many such words.

3. Faulty translations:

In the organization, every manager receives various types of communication from superiors, peers, subordinates and he must translate information destined for subordinates, peers, and superiors into language suitable to each. Hence the message has to be put into words appropriate to the framework in which the receiver operates, or it must be accompanied by an interpretation which will be understood by the receiver. But if the translator is not proficient with both the languages, mistakes may creep in causing different meanings to the communication.

4. Symbols with different meanings:

Communication symbols usually have a variety of meanings. Receiver has to perceive one such meaning for the word used by communicator. For example: meaning of 'high' speed will differ from means of transport, high speed for two wheeler is different from high speed of a four wheeler or any other means of transport. Similarly, non-verbal symbols may also convey different meanings to different persons. In such a situation, often there is a possibility that the receiver of the symbols may attach quite different meanings as compared to intended by the sender and communication breaks down.

5. Badly expressed message:

Sometimes intended meaning may not be conveyed by a manager to his subordinates. These badly expressed messages maybe an account of inadequate vocabulary, poorly chosen and empty words and phrases, careless omission, jargons, failure to clarify implications are some common faults found in this case.

6. Body language and gestures decoding:

Every movement of body communicates some meaning. The body movement and gestures of communicator matters so much in conveying the message, if there is no match between what is said and what is expressed in body movements, communication may be wrongly perceived.

10.8.2. Organizational barriers

An organization being a deliberate creation for the attainment of certain specified objectives, day-to-day happenings within it require being regulated in such a manner that they contribute to attain these objectives in the most efficient manner. This is usually attempted through a variety of official measures such as designing the organizational arrangements for performance of various activities, prescribing various policies, rules, regulations, and procedures, laying down of norms of behavior, instituting a reward and punishment system, etc. These factors, sometimes, act as barriers to effective communication. Some of these barriers are:

1. Organizational policy:

The general organizational policy regarding communication acts as an overall guideline to everyone in the organization regarding how he is normally expected to behave in this matter. The policy might be explicit or implicit, and if these policies are not supportive to free flow of communication, it may hamper effectiveness of communications.

2. Organizational rules and regulations:

Organizational rules and regulations affect the flow of communication by prescribing the subject-matters to be communicated and also the channel through which these are to be communicated. Rigid rules and cumbersome procedures may be a hurdle to communication. Communications through prescribed channel may result in delays.

3. Status relationship:

Status of superior may create psychological distance between him and his subordinate which blocks the flow of communication and more particularly in upward direction. A status conscious manager also may not allow his subordinates to express their feelings freely. Greater the difference between hierarchical positions in terms of their status, greater would be the possibility of communication breakdown.

4. Complexity in organization structure:

In an organization where there are number of managerial levels, communication gets delayed and distorted as number of filtering points are more. This is true in case of upward communication, because people generally do not like to pass up the adverse criticism either of themselves or of their superiors.

5. Organizational facilities:

Organizational facilities provided for smooth, adequate, clear, and timely flow of communication may take a number of forms. Some of these are in the form of communication media such as meetings, conferences, complaint box, suggestion box, open door system, social and cultural gatherings, transparency in operations, etc., will encourage free flow of communication. Lack of these facilities may create communication problems.

10.8.3. Emotional or psychological barrier:

Emotional or psychological factors are the prime barriers in interpersonal communication. The meaning ascribed to a message depends upon the emotional or psychological status of both the parties involved.

For example: a worried person cannot communicate properly and an angry receiver cannot understand the meaning of message properly. The state of mind of both sender and receiver of communication reflects in the effective communication. Some of the emotional barriers are as follows:-

1. Premature evaluation:

Rogers and Roethlisberger in 1952 first pointed out this barrier. Premature evaluation is the tendency of prematurely evaluating communication, rather than to keep an uncompromised position during the interchange. Such premature evaluation may be due to pre-conceived notions or prejudices against the communication.

2. Lack of attention:

The preoccupied mind of a receiver and the resultant non-listening of message acts as a major psychological barriers. It is common phenomenon that people simply fail to react to bulletins, notices, minutes, and reports.

3. Loss by transmission and poor retention:

When communication passes through various levels in the organization, successive transmissions of the same message are decreasingly accurate. This is more so in oral

communications, about 30% of the information is lost in each transmission. Even in case of written communication, loss of meaning might occur as far as the appended interpretation, if any, is considered. Poor retention is another problem. Usually people cannot retain the information for a long time if they are inattentive or not interested.

4. Distrust of communication:

It arises out of ill-considered judgments, illogical decisions, or frequent countering of the original communication by the communicator. Repeated experience of this kind gradually conditions the receiver to delay action or act unenthusiastically, hence making the communication unsuccessful, though apparently it is complete. If the parties do not believe each other, they cannot understand each other's message in its original sense.

5. Failure to communicate:

It is quite an accepted fact that managers often fail to transmit the needed messages. This might be because of laziness on the part of the communicator or assuming that "everybody knows", or procrastination, "hogging" information, or deliberately to embarrass.

10.8.4. Personal barrier:

The personal factors of both sender and receiver may exert influence on effective communication. These barriers are relevant in the case of downward as well as in the case of upward communication. Some of the personal barriers of superiors and subordinates are mentioned below:-

1. Fear of challenge to authority:

A person in the organization always tries to get a higher position and prestige to satisfy his needs. As such, managers in general try to withhold the information coming down the line or going up as frequent passing of information may disclose their weakness. If a superior perceives that a particular communication may adversely affect his authority, he or she may withhold or suppress such communication.

2. Lack of confidence in subordinates:

Superiors generally perceive, correct or otherwise, that their subordinates are less competent and capable, they are not able to advise superiors, or they may not have some information coming upwards. If superiors do not have confidence on the competency of their subordinates, they may not seek their advice or opinions.

3. Unwillingness to communicate:

Sometimes, subordinates may not be prepared to communicate with their superiors, if they perceive that it may adversely affect their interests. Information going up is utilized for control purposes and subordinates would not be willing to give any information to their superiors about any unfavorable happening and if its supplication is necessary, they would modify the information in such a way so as to protect their own interest.

4. Lack of proper incentives:

Lack of motivation to communicate also stops subordinates to communicate upward. For example, if there is no reward or appreciation for a good suggestion, the subordinates may not be willing to offer useful suggestions.

10.9 Improving Communication effectiveness

Communication is the lifeblood of an organization, and without it, the organization cannot exist. Therefore, managers must ensure that the communication system is effective. The barriers to effective communication exist in all organizations to a greater or lesser degree. Organizations keen on developing effective communication should adopt suitable measures to overcome the barriers and improve communication effectiveness. Some such measures are indicated below:-

1. Clarify the ideas before communication:

The communicator should be quite clear about what he wants to communicate. The problem to be communicated to subordinates should be clear in all its perspective to the executive himself. The entire problem should be studied in depth, analyzed and stated in such a manner that is clearly conveyed to subordinates.

2. Communicate according to the needs of receiver:

The level of understanding of receiver should be crystal clear to the communicator. Manager should adjust his communication according to the education and understanding levels of subordinates.

3. Consult others before communicating:

Before actually communicating the message, it is better to involve others in developing a plan for communication. Participation and involvement of subordinates may help to gain ready acceptance and willing cooperation of subordinates.

4. Empathy in communication:

The way for effective communication is to be sensitive towards receiver's needs, feelings, and perception. Psychologists call it empathy in communication, implying putting one's legs in other's shoes, or projecting oneself into the viewpoint of the other person. When the sender of the message looks at the problems from receiver's point of view, much of the misunderstanding is avoided.

5. Be aware of language, tone and content of message:

The contents of the message, tone, language used, manner in which the message is to be communicated are the important aspects of effective communication. The language used should be understandable to the receiver and should not offend the sentiments of listeners. The message should be stimulating to evoke response from the listeners.

6. Ensure proper feedback:

The communicator may ensure the success of communication by asking questions regarding the message conveyed. The receiver of communication may also be encouraged to respond to communication. The communication process may be improved by the feedback received to make it more responsive.

7. Follow up communications:

There should be regular follow up and review on the instructions given to subordinates. Such follow up measures help in removing hurdles if any in implementing the instructions.

8. Be a good listener:

A communicator must be a good listener. By this process, he is not only giving chance to others to speak but he gathers useful information for further communication. Patient and attentive listening solves half of the problems. Manager must give indications of their interest in listening to their subordinates.

10.10 Summary

Communication can be defined as the transfer of facts, information, ideas, suggestions, orders, requests, grievances etc. from one person to another; so as to impart a complete understanding of the matter. Communication provides employees both the skill to work and will to work

Process of communication includes message, sender, encoding, medium, recipient, decoding, and feedback. Importance of communication: basis of organizational life; aid to planning; aid to leadership; aid to co-ordination; helps overcoming resistance to changes; basis for good human relations; helps building good public relations; aid to controlling; facilitates delegation of authority; pervading all walks of organizational life. Formal communication is that, which takes place in an enterprise, in a formal manner via the scalar chain.

Informal communication, also called grapevine communication, takes place through informal groups, existing inside or outside the formal organizational structure. Formal and informal communications could be compared on--these bases: speed, a authenticity, nature, planning, feedback, control, distortion, record-keeping, fixation of responsibility, resistance, secrecy of confidential matters, rigidity or flexibility, mutual support.

Oral and written communications could be compared on these bases: cost, effectiveness, distortion, memorizing value, speed, understanding, feedback, conflicts, recording, delegation of authority facilitated or not, secrecy, repeat value, language problem, coverage withdrawal, seriousness, parties at a distance, scale of communication, supported through gestures. Barriers to effective communication include badly expressed messages, faulty organization, distrust of the communicator, restricting communication, poor retention, different backgrounds and culture, in-group language and inattention. Most of the communication barriers can be overcome through the use of feedback and simple language.

10.11 Glossary

Body language: Information transmitted by body position, posture and movement.

Communication: It is the process of passing information and understanding, from one person to another, usually with the intent to motivate or influence behavior.

Communication feedback: It is knowledge that the sender obtains which indicates whether or not the receiver has correctly interpreted the message.

Decoding: The process through which information received through communication is converted back into ideas or concepts.

Diagonal communication: It occurs between people who are neither in the same department nor on the same level of the hierarchy.

Downward communication: Communication that flows from higher levels to lower ones within an organization.

Encoding: The process by which ideas or concepts are converted into a form, that can be transmitted to others.

Filtering: The deliberate manipulation of information to make it appear more favorable to the receiver.

Grapevine: An informal communication network among people in an organization that is not officially sanctioned by the organization.

Informal communication channels: Communication channels that do not adhere to the organization's hierarchy.

Lateral communication: It takes place between people on the same level of the hierarchy.

Listening: It involves the skill of grasping both facts and feelings to interpret a message's genuine meaning.

Noise: Any disturbance that interfere with transmission, receipt, or feedback of a message.

Non-verbal communication: Communication that takes place through facial expressions, body language, eye contact and other physical gestures.

Oral communication: Face-to-face conversation, group discussion, telephone call, and other circumstances in which the spoken word is used to transmit meaning.

Semantics: It is the study of meaning in language.

Upward communication: It consists of message from subordinates to superiors.

Vertical communication: Communication that flows both up and down the organization, usually along formal reporting lines.

Written communication: Memos, letters, reports, notes and other circumstances in which the written word is used to transmit meaning.

10.12 Check Your Progress

A. Fill in the blanks

- a.is a process by which individuals create and share information to arrive at a common consensus (understanding).
- b. The process of converting words into meaningful symbols such as words, pictures, gestures, etc. is called.....
- c.also known as grapevine communication.
- d. Communication is communication between two or more individuals who do not function at the same level in the organizational structure.

B. State whether True or False

- k. Communication means transfer of information and understanding.
- l. Informal communication channels are slower than formal communication channels.

- m. Vertical communication spreads information across the hierarchical levels.
- n. Grapevine communication is a form of formal communication channel.
- o. Rumors are likely to spread in grapevine communication.
- p. Majority of communication take place through non verbal communication.
- q. Perception sometimes acts as a communication barrier.
- r. The receiver and the decoder are one and the same person.
- s. Encoding is the process of interpreting the message.
- t. Feedback must always be carefully interpreted.

10.13 Answer to Check Your Progress

- A. a. Communication b. Encoding c. Encoding d. Diagonal
- B. a. True b. False c. False d. False e. True
- f. True g. True h. True i. False j. True

10.14 Terminal Questions

Q1. 'Good communication is the foundation of sound management', Comment.

Q2. Describe the importance of communication.

Q3. Describe all the elements of communication process in detail.

Q4. Describe the barriers to effective interpersonal communication.

Q5. Differentiate between formal and informal communication.

Q6. Describe various types of communication networks.

Q7. Write short notes on

- i) Grapevine
- ii) Non- verbal communication
- iii) Downward communication
- iv) Upward communication
- v) Lateral communication
- vi) Principles of effective communication

10.15 References

1. Curtis Dan B., Floyd James J., Winsor Jerry L., Business and Professional Communication, Harper Collins Publishers, 1992
2. Hiltrop Jean M., Vdall Sheila., The Essence of Negotiation, Prentice Hall, 1995
3. Munter Mary, Guide To Managerial Communication, Prentice Hall, 1992

4. Stanford Wayne F., Dawalder David P., *Communicating in Business*, Auston Press, 1994
5. Thill John V., Bovee Courtland L., *Excellence in Business Communication*, Prentice Hall, 2005
6. R.C. Sharma and Krishna Mohan, *Business Correspondence and report writing*, Tata McGraw Hill, 3rd Edition.
7. Chaturvedi & Chaturvedi, *Business Communication: Concepts, Cases and Application*, Pearson Education.
8. Shirley Taylor, *Communication for Business*, Pearson Education, 3rd Edition.
9. Meenakshi raman and Prakash Singh, *Business Communication*, Oxford University Press.

UNIT - 11 LEADERSHIP

Structure

- 11.1 Introduction
- 11.2 Meaning of Leadership
- 11.3 Definition of Leadership
- 11.4 Need and Importance of Leadership
- 11.5 Characteristics of Leadership
- 11.6 Qualities of an effective Leader
- 11.7 Dimensions of Personality of Leadership
- 11.8 Types of Leader and Leadership
- 11.9 Styles of Leadership
- 11.10 Theories of Leadership
- 11.11 Emerging Dimensions of Leadership
- 11.12 Difference between Leader and Manager
- 11.13 Summary
- 11.14 Glossary
- 11.15 Check Your Progress
- 11.16 Answer to Check Your Progress
- 11.17 Terminal Question
- 11.18 References

Objectives

After study of this unit you would be able to understand

- Define Concept of Leadership
- Describe Emergence of Leadership
- Describe the Qualities of Leadership
- Describe the Types of Leaders
- Difference between Leader and Manager

11.1 Introduction

If anything happens somebody makes it happen through motivation , direction , coordination and persuasion . If a group of people or team wants to accomplish a task a leader is required. There are two courses of action to lead or to follow Following is an easier task so most of people opt for being led and those who are gifted with leadership qualities become leader. Leader is capable of influencing the behavior of others .

In corporate business the people working in the organization need to be guided and influenced to work for the common goal . Leader has the ability to build confidence and inculcate zeal to do anything collectively in a disciplined manner ensuring maximum productivity of people and profitability of the organization.

11.2 Meaning of Leadership

Leadership is spirit to lead , mentality to prevail and sense of being one up. For all of us there are two ways open to lead and other to follow . Leadership is comparatively a difficult task so most of us choose the soft option of becoming follower of someone. Leadership is the quality of behavior , ability to persuade others capability to guide and direct the people to the extent to make them ready to do what otherwise they could not have done.

Leadership is the quality and ability to acquire the top position among the fellow colleagues.

11.3 Definition of Leadership

Leadership is the process of influencing behavior of others. Management thinkers have defined leadership in the under mentioned words.

According to Keith Davis, “Managerial leadership is the process of influencing and supporting others to work enthusiastically towards achieving objectives.”

In the opinion of Wehrich and Koontz, “Leadership is the art of process of influencing people so that they will strive willingly and enthusiastically towards the achievement of group goals.”

Leadership is a concept and practice both . Leadership is a behavior which is exhibited in the form of action of leaders, deep conviction about goal , determination to execute plans and preparedness to go against conventional wisdom are the pre requirement of leadership. Under noted four goals take care of quality of leadership.

- 1. Innovation:** The urge of creating something new.

2. **Coordination:** The sense of seeking cooperation in coordinated manner.
3. **Managing in:** The ability to maintain balance in adverse tough times and pushing through
4. **Problem solving:** The ability to solve the problem mind set successfully.

Leadership is the mix of these four above mentioned abilities.

11.4 Need and Importance of Leadership

The question is why at all we need leaders. What is the importance of leaders and leadership?

The answer to these question justify need and importance of leader as leadership. All people usually are not self starting. They need someone to tell them What to do? How? How much? Why? When? Where?. Leader is one who assumes this responsibility, Things do not happen automatically, there is someone who make them happen, and the man who makes things happen is termed as leader.

Man is a performing animal but the man requires some other man to ask what to do? How? Here emerges the need of a leader. A leader is a mover who prompts the followers through influencing by motives , values , attitude and beliefs etc .in sharing the purpose , process and proceeds. The goal of leader and goal of follower must match. Leadership means responsibility , loyalty , service , flexibility and activity. Leadership means being guiding force, being supportive and becoming torch bearer and role model both. Leadership is a dynamic and constructive force and the need and importance of leader and leadership is well justified on the basis of undernoted functions of the leaders .

1. **Setting of Goals** - Leader set goals and policies of the team organization and society he belongs to .
2. **Motivating team members** - Leader guides inspires and motivates his team members to do all possible to achieve the desired goal and targets .
3. **Ensuring cooperation** – A leader seeks and ensures the cooperation of his team members in order to get the things done .
4. **Creating Vision and Initiative** – Leader gives vision to his people which turns into action and enthusiasm.
5. **Change agent** – Leaders prove , to be the change agent. Things do not change at their own, leaders make this change possible and feasible ; Dynamic leader prepares people to accept the change , to work for change and to adopt change .

Dear students, you must have heard a proverb – The speed of the engine is the speed of train . If the engine moves faster the a whole train moves faster and if speed of engine gets slow the train also gets slower . If engine stops running the whole train stops . Same way there is direct and positive relationship between the speed of the leader and the speed of organization . If the leader is fast , dynamic and a man with forward vision and onward thinking the organization will prosper and the stock holders and stakeholders of the organization would be happy and prosperous . Leadership is main motivating force to all concerned. This signifies the importance of leaders.

11.5 Characteristics of Leadership

From the meaning and definition of leadership following characteristics of leadership emerge

-
- 1. Leadership is the influencing and supporting relationship between leader and led (follower).
- 2. Leadership is personal quality of a person through which leader guides his followers.
- 3. Leadership is a sort of interpersonal relationship.
- 4. Leadership is a causal and situational.
- 5. Leadership is ability to lead and persuade the people to strive willingly and enthusiastically towards achievement of common goal .
- 6. Leadership is based on power . A person holding power on others is a leader.
- 7. Leadership is the commanding force.
- 8. Leadership is based on functioning and activity. Leadership is not just a position its is performance based activity.
- 9. Leadership is not an inborn quality rather it is acquired and sharpened.
- 10. Leadership is problem solving ability, one continues to be leader so long he has capacity to solve the problem and to accept the challenges.
- 11. Leadership is result oriented. A leader is an achiever.
- 12. The essence of leadership is following, leader with out follower has got no meaning (No follower means no leader)

Leadership is a practice, a behavior a mindset. Leading from front leading from behind and leading through working along with are various ways of leading. Some, other characteristics of leadership are as under-

- 1. genuine leadership is supportive not coercive.
- 2. true leader leads and drives others.

3. true leaders are visionary –vision first action after wards.
4. leadership does not signify position it is spirit.
5. leadership is an art which can be learnt consciously sensitivity and carefully.
6. leadership does not imply ego game.
7. leadership means responsibility.
8. leadership means setting aside your personal desires, personal wishes and personal ambition.
9. leadership means service.
10. leadership means loyalty.
11. leadership means acceptability and availability.
12. leadership means action.
13. leadership means motivation and creating self starting people.
14. leadership means taking initiative accepting challenges not to pass the buck but the buck stops here phenomenon is leadership

11.6 Qualities of an Effective Leader

Traditional thinkers believed that leaders are born but now this has been accepted that anyone can acquire the qualities of leader and can prove to be effective leader. Leader sets goal for the team, assigns tasks to each individual, then sees that the work is done up to entire satisfaction. He enjoys the trust of his team members, people for whom he is working and inspires as well motivates his fellow beings to work together. Peter Drucker has rightly said about the functional qualities of a leader in the following words-

“The first test of a leader’s competence lies in his ability to keep people working with minimum of disruption and maximum of effectiveness.

Leadership is an art it has to be learnt and applied sensitively. It is not be confused with position itself.

An effective leader must be a good human being. There can not be a final list of qualities of leader, he must have all good qualities of a good human being. However few qualities of leader can be enumerated as under:-

- (1) **Good communication skills:** Leader should be a good communicator orally and in writing as well. He must be effective speaker and patient listener, Command over language and Communicating body language helps a leader to command and lead effectively.

- (2) **Compassion:** Compassion is a great virtue which every leader must possess . Remember- blessed are the merciful people as they beget mercy in return.
- (3) **Tolerance:** Tolerance is a great quality. Try to bear with wide variety of views and opinions.
- (4) **Generosity:** Be generous and you will become great is a good old saying. Large heartedness masters the world.
- (5) **Character:** A good leader must invariably possess good moral character. Good character means harmony in thoughts, words and action.
- (6) **Vision:** A leader necessarily has to be visionary. Vision should be clear and object oriented .
- (7) **Decisiveness or decision making capacity:** Results come from actions taken on the basis of decisions made. Prompt decisions, timely decisions and correct decisions making capacity is the key to organizational success.
- (8) **Courage:** Courage is the best ornament of a leader. He takes initiative on the basis of courage quotient. Courage is one quality which lends substance to all other virtues of the man.
- (9) **Team Building:** Team building is the basic quality of the leader. The leader should form the team on the basis of Talent Efficiency , Attitude; and Mental makeup of the team members.
- (10) **Human being:** A leader must be a good human being having a good mix of qualities of head and heart. The spirit of human being lies in being human.
- (11) **Responsive:** A leader must always respond to the call of times. A leader is performer, achiever and motivator. He must always be available of his fellow colleagues and should try to be right and relevant all the time.

The leader is the engine of the train of the organization and the speed of engine is the speed of train. The quality of leadership decides the fate of the workshop. Leader is always supportive, encouraging and involving. He believes in inclusive approach. Leader is full of self esteem but free from ego and own emotions.

the most of qualities a leader should possess are reflected in the acronym of the word leader

- L Loyalty to the cause of people and large heartedness
- E Empowering and ensuring
- A Acceptable and Available

- D Devoted and Disciplinarian
- E Enthusiastic and Ever-ready
- R Responsive and Role Model

The above mentioned attributes are just indication. The capacity to lead and to excel is an inner urge calling for good mix of qualities of head and heart.

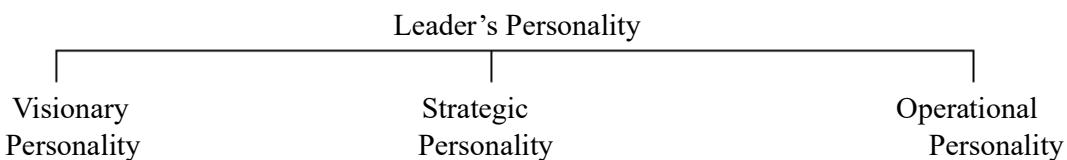
A leader is dealer of hope and leadership is the art of preparing a group of individuals to face the threats and challenges that may emerge in times to come. Leader understands the aspirations of fellow colleagues, puts color in them and helps in matching the goals of individuals with the goals of the organization.

Formula of effective leadership

Dreamer + Thinker + Doer = Holistic leader

11.7 Dimensions of Leaders Personality-

A leaders personality is multidimensional and multidirectional mean for multitasking performance. There are 3 dimensions of a leaders personality.



1. **Visionary:** A leader is a visionary. He has some mission based vision. Vision is very broad perspective based philosophy. His vision set the mission, objectives, goals and targets. All successful leaders are basically visionaries. Without vision one cannot march ahead.
2. **Strategic:** We are living in a highly competitive age. To succeed we need to be strategies rather highly strategic.
3. Strategies empower us to do what ensures success. Strategies are framed keeping in view the state, action, plan and policy of others with whom we are at struggle. Policies may fail but strategies succeed because strategies are well calculated and are based on pre estimate of what others will be doing.
4. **Operational:** Vision and strategies have got no meaning if not put to practice as nothing happens automatically it is made to happen. The real success comes out of operations.

Leader is operative, operational and operator. Leader operates according to his vision and strategy all others cooperate. Action is taken, efforts are made and success is registered. Leader gives a call to his fellow colleagues and followers to act. All act and the object is fulfilled target are achieved.

11.8 Types of Leaders and Leadership

Leadership is a concept to lead to take initiative and to venture. This is required in all walks of life. Everyone cannot turn to be leader but every person is supposed to possess leadership qualities. Leadership is the demonstration of excellence and perfection existing in the man. the various types of leaders and leadership are as under.

Political leaders: Political leaders are the leaders working in political field. They have some political ideology, vision and mission. They want to serve people through political system. They form any political policy of their own or join some already existing party which suits their political policies and principles. Political leaders are so popular as leader that the word leader has become synonym to political leader. If nothing otherwise is stated leader means political leader.

Social leaders: Social leaders are social activists and work for social reforms. They lead the movement leading to eradication and elimination of social evils. Good intentioned people start some good cause mission to make society better than before and others join hands with them .

Transformational Leaders: Transformational leaders are the leaders who transform the followers from within. They engage their people and develop the sense of commitment , involvement and achievement in them . These leaders are wonderful because they are visionary and inspire their followers to dream and achieve greatness . They drive them from being good to great .

Business Leaders : Business leaders are the leaders of business warfare . They register success in business world through their proactive vision strategic managerial skills and administrative effectiveness . They are successful business innovators , industrialist bankers , power (energy) generators and infrastructure providers . They create number of jobs and provide employment to lot many people . Nations economy is based on these leaders.

Charismatic Leaders: A charismatic leader causes charisma. He injects huge doses of enthusiasm into his team . He is very energetic in driving others to move forward. He can cause wonder with the help of his followers even though the followers are not that energetic and capable . His presence ensures success because he is the source of motivation and force of activity .

Transactional Leaders: Transactional leaders are leaders who get the things done with the help of their team members . their leadership is transaction based . In other words they work just as managers . Such leaders are very good for short term targets and tasks. such type of leadership is found in plenty in business organization as these leaders get the job done effectively and efficiently.

11.9 Styles of Leadership

Leadership style is the style of functioning of a leader in which a leader works as a leader, the manner in which a leaders leads and influences others . Styles of leadership are as under –

- A) Autocratic style
- B) Democratic style
- C) Laissez-faire style

11.9.1 Autocratic Style of Leadership –

This style of leadership believes in concentration of power i.e. Unity of command and unity of direction . There is two types of autocracy

- 1) Pure Autocracy
- 2) Benevolent Autocracy

Pure Autocratic leader is dictator type leader he takes decision at his own, issues orders and expects the followers to just obey. This sort of leadership is negative.

Benevolent leaders is positive and is thought based. He values his followers, rewards them for their good deeds and avoids coercive use of power.

11.9.2 Democratic Leadership

Democratic leadership is participative in nature and believes in involvement of followers in decision making process. The leaders and followers work in the atmosphere of

togetherness as a social unit. Unlike autocratic leadership democratic leadership believes in decentralization of authority.

11.9.3 Laissez – faire-style of leadership

This is free rein of leadership with permissive attitude. Leader to interfere very little. People are free to make plan and implement. Leader permits high degree of freedom to his followers and subordinates. This sort of leadership helps followers to train and develop in their own ways. Leader is just a passive observer and react only in the times of crisis.

This sort of leadership works effectively only when leaders of high morale and integrity responsiveness and accountability are there.

Each type of leadership has its own merits and demerits. Which style to follow largely depends upon the factors prevailing in the organization.

A leader to lead successfully has to develop a mix of good qualities of all the types of leadership styles. No leader can claim exclusiveness in action. He has to use all these three depending upon the need of time.

Comparative overview of Different Styles of Leadership

Basis of Comparison	Autocratic Leadership	Democratic Leadership	Free Rein Leadership
1. Decision making	Decisions are made by leader himself.	Decisions are taken by leader with consultation with follow beings.	Decision are taken by concerned people at their own
2. Authority	Centralized	Decentralized	Delegated to subordinates with full power.
3. Base of Behavior	Task Oriented	Relationship Oriented	People oriented

4. Leader of Communication	Vertical	Vertical (two way) Top to Bottom (Top Town) Bottom to Top.(Bottom up)	Horizontal and Top to Bottom
5. Level of job satisfaction	Low	Moderate	High
6. Motivation	Negative	Positive	Self motivation

11.10 Theories of Leadership

Several theories of leadership have been evolved by management thinkers from time to time.

For study sake these theories can be classified in four categories –

1. Angelic Theory
2. Traits Theory
3. Behavioral Theory
4. Situational Theory

11.10.1 Angelic Theory

This theory of leadership is also known as Great Man Theory . This theory is based on one belief that leaders are born. One is born with inbuilt qualities of leadership. Leaders or great men are different and extra special since birth . Certain persons are sent by God to lead the people and such person are gifted with supernatural powers. In many sects of human society the leaders are discovered this way.

11.10.2 Trait Theory of Leadership

Just contrary to angelic theory their theory believes that leaders are not born they are made on the earth . There are certain traits i.e. qualities and anyone with those qualities can become a leader . These qualities can be acquired and inculcated by anyone through proper education , training and regular practices .

Traits theory is based on the following traits .

1. Physical traits
2. Ability traits

3. Task focused traits
4. Social traits

All these traits can also be read as under -

- (1) Intelligence
- (2) Supervision ability
- (3) Decisiveness
- (4) Maturity
- (5) Adaptability
- (6) Cooperativeness
- (7) Initiative
- (8) Self Assurance
- (9) Trustworthiness
- (10) Courage
- (11) Good communication skills

This list is not final. However, any one possessing these qualities can become a leader and can prove to an effective leader.

11.10.3 Behavior Theory of Leadership

This theory is based on functioning abilities of the leader. A leader is what a leader does. this theory believes that mere possession of certain qualities cannot make anybody leader, rather it is the behavior that makes a leader a leader.

This theory believes that a leader uses conceptual human and technical skill to influence the behavior of subordinates and followers. This theory is an addition to the traits theory.

11.10.4 Situational Theory

Situations create leaders. Under the given circumstances and situations a leader is emerged automatically. Mahatma Gandhi the great leader with human values became leader when he faced a situations of differentiation in South Africa. His luggage was thrown and he was forced to get down from the railway first class compartment and this made him a great leader, Situation theories are also known as contingency theory because leadership style is contingent to situation.

Leadership is an art of harnessing human energy towards creation of a better future. Real leaders find the energy to stay on and fight and energies others around them. Leaders take it upon themselves to dig deep and find solutions to the most pressing problems of their times. The secret success of leaders lies in following attributes:-

- (1) Incredible amount of emotional energy.
- (2) Power to create co leaders (Second line of command) and align their energy towards shared purpose (Succession Planning).
- (3) Power to galvanize the energy of large number people to create sustainable collective success.
- (4) Leadership creates a better future following four leadership activities provide the leverage to the organization-
 - (1) Setting Direction (Brain of the Organization)
 - (2) Designing lay out of the organization. (Bones of the business organization)
 - (3) Creating a culture of excellent. (The nerves of the business organization)
 - (4) Taking people centric decision (The heart of the business organization)

11.11 Emerging dimensions of Leadership

Leadership in most talked about topic in corporate world ,The leader is the Engine of the organization. His vision speed and drive decides the pace and rate of growth of the organization. New dimensions are emerging in the field of leadership necessitating change in style and functions of leader of new age He must possess the under noted quotients to prove himself .

11.11.1 Love quotient-Leader must love and like his people and he too must be liked and loved by his fellow colleagues .This strengthens Leaders led relationship.

11.11.2 Emotional quotient with egolessness: A leader is first among equals , he should not develop any ego to that effect and he, must be emotionally strong to remain balanced and active .

11.11.3 Adversity Quotient: Leader must possess adversity quotient is the strength of a man to remain calm and balanced in odds and adverse circumstances . In normal situation anybody could do but in adversity only tough people succeed Tough means mentally and psychological strong .

11.11.4 Courage quotient: Leader is one who takes initiative and for that courage is required . Courage is the spirit to come forward to take decisions to implement decision and to seek cooperation of everybody who is connected and concerned . A leader leads from front . He is forerunner of the team .

11.11.5 Entrepreneurial Quotient: Leader is leader because he leads . He must possess entrepreneurial quotient . This skill makes a leader successful . He creates history and gets his name registered in the history of mankind . This quotient is measured through a man's risk bearing capability . In corporate world such leaders are termed as Entrepreneur .

11.11.6 Research Quotient: Leaders must possess research attitude because this enables a leader to be innovative and creative . This gives strength to be different to do the things differently and distinctively . Research worthiness lies in analytical ability and sound judgment of facts . Research supplies appropriate answer to what ? why ? when? Where? And how of any discipline .

Leadership is ever growing concept . New and new theories are being evolved to practice leadership . But this has to be admitted that leadership is not just a concept it is a practice, a behavior and a relationship based activity. Leadership lies in being right and relevant (always and all time) and responding with ability. Good leader not only communicates , he demonstrates and transforms. Today's leadership is transformational leadership . The very essence of leadership is practice of fulfilling the leaders motives by influencing team members through sharing vision and established relationship . Here sharing vision amounts to sharing views , purpose , objectives , process and proceeds. This includes sharing of success . A good leader gives the credit of success to all his team members and owns the responsibility for failure and shortfalls solely and wholly .

11.12 Difference between Leader and Manager

Some people treat leaders and manager as synonymous but the two are different institutions. They both aim at getting the things done but the process and functioning is very different . Some of such difference can be narrated as under .

Leaders v/s Manager

Basis Of	Leader	Manager
-----------------	---------------	----------------

Distinction		
1. Meaning	Leadership is influencing force to achieve the goal and target	Management is an authority of getting things done .
2. Scope	Leadership is leader led relationship. Leadership survives on this relationship.	Management is planning, organizing, directing, control . Management survives on process .
3. Authority	Leader's authority is formal as is based on acceptance of the followers .	Manager is an statutory authority .
4. Education	No formal education is needed for leadership	Manager are created through learning in different management educational courses .
5. Stability	Leadership is most dynamic never stable ever changing	Management is generally stable
6. Structure	Leadership is comparatively flexible concept . Leader can function in organized and unorganized way both	Management is rigid and less flexible concept . Usually its function is in an organized way.
7. Organizational Environment	Leader works to change the organizational environment and this change is for better .	Managers try to adopt according to the organizational environment .

8. Dominance	All leaders are managers too and succeed in getting things done through trust and confidence	All managers are not leaders they may get the things done but they may not won trust and confidence of people .
--------------	--	---

11.13 Summary

Leadership is an attribute which empowers and enables a man to lead , to take initiative and to prove that he is first among equals . Leaders are not born they are made . There are certain qualities of effective leaders . Anyone by acquiring these qualities can become a leader . Leader is one who leads and acts like a role model and torch bearer both and motivates them to move in the desired direction . Leader can cause the wonder through influencing his fellow beings and followers for which . Otherwise perhaps people may not agree to do . There are many types and styles of leaders & leadership. People and organizations may select any of these styles depending upon their requirement. A leader is different than that of a manager. Manager is task oriented whereas a leader is people oriented therefore more effective. Manager ship is a position related authority whereas leadership is mutually accepted attribute. Management is formal relationship and is based on structured set of values whereas leadership is heart felt relationship. To conclude leadership is the force of influencing the behavior attitude activities and performance of the people to work enthusiastically and willingly towards the accomplishment of the group goals. Leaders are terminal but leadership is eternal leaders are functional but leadership is universal leaders are many but leadership is one.

11.14 Glossary

Leader: A leader is a person who controls or directs a group or organization.

Liberal leadership style: In this style of leadership, all decision-making rights and powers are vested entirely in the employees.

Manager: A manager is a person responsible for the control or administration of an organization or group of staff.

11.15 Check Your Progress

1.is the process of influencing the behavior of others.
2.leaders are those who get tasks done with the help of their team members.
3. In the autocratic leadership style, the leader values followers, rewards them for their work, and avoids the coercive use of power.
4. Leadership theory is based on the leader's working style.

11.16 Answer to Check Your Progress

1. Leadership
2. Behaviour (Action)
3. Generosity (Harmonious)
4. Behaviour

11.17 Terminal Questions

1. What do you understand by leadership ?
2. Justify the need of leadership in business organization.
3. Describe the various qualities of an effective leader .
4. Enumerate various styles of leadership .
5. Describe the various types of leaders.
6. Explain the trait theory of leadership .
7. Differentiate between autocratic and authoritarian leaders .
8. Distinguish between leader and manager .
9. Narrate situational leadership theory.
10. What do you feel – leaders are born or made.

11.18 References

1. Basil Douglas C.1 Leadership skills for executive action American management Association New York.
2. Effective Managerial Leadership AMACOM , Newyork.
3. Mayo Elton The Human problem of an Industrial circulation.
4. Macmillan Publishing co. inc. Newyork.

UNIT-12 MOTIVATION

Structure

- 12.1 Introduction
- 12.2 Meaning of Motivation.
- 12.3 Definition of Motivation.
- 12.4 Characteristics of Motivation.
- 12.5 Need and importance of Motivation.
- 12.6 Factors affecting Motivation.
- 12.7 Theories of Motivation.
- 12.8 Types of Motivation.
- 12.9 Summary
- 12.10 Glossary
- 12.11 Check Your Progress
- 12.12 Answer to Check Your Progress
- 12.13 Terminal Question
- 12.14 References

Objective

After Studying this unit you will be able to understand-

- The meaning and nature of motivation.
- Role and significance of motivation.
- Various theories of motivation .
- Techniques and methods of motivation.

12.1 Introduction

People work because they are motivated to work. Motivation is a concept based on two valuable motives and action. We all act to accomplish our motives to achieve our goals and targets. Motivation is the motive force that makes us move . Guiding, direction and engagement

with involvement, devotions and dedication are various variables of motivation. Motivation is stimulating force which prompt people to work to achieve already set goals.

12.2 Meaning of Motivation

Management is said to be art of getting the work done and motivation is technique to get it done. Motivation refers to the degree of readiness of an organism to pursue some desired goals and implies the determination of the nature and focus of the forces inducing the degree of readiness. Motivation is an inspirational process as already said people work because they are motivated to work. This motivation may come, from inside or outside. They work because they feel like working. And to inculcate that feel in them motivation is required.

Motivation is double sided coin. At one side of this coin is motive and at the other is action. The word motivation has been derived from the word motive which prompts a man to act.

12.3 Definition of Motivation

Various management experts have defined motivation in different ways.

According to William G. Scott, motivating means a process of stimulating people to action to accomplish desired goal.

In the words of Mondy, “Motivation may be defined as the willingness to put for the efforts in the pursuit of organisational goals.”

Motivation is the real force of causing action. It is psychological process that affects purpose, direction and behaviour. Motivation can be termed as act of stimulating some one to get desired course of action. It is like pushing the right button to get desired reaction. According to Likert motivation is the core of management.

12.4 Characteristics of Motivation

The main characteristics of motivation are as under:-

1. Motivation is the main task of management because in its entirety management is the art of getting things done.
2. Motivation is a continuous process.
3. Motivation is a complex task.
4. Motivation is a two way process, motivator can motivate only if the other party is ready to accept and react.

5. Motivation is different than job satisfaction.
6. Motivation is multi deviced act.
7. Motivation can be Monetary and Non-Monetary both.
8. Motivation is a personal attribute.
9. Motivation is a psychological concept.
10. Motivation is a system based function.
11. Motivation is multiplier and energizer force.
12. Motivation may be positive and negative both. Sometimes reward may prove motivational but at times punishment or fear of punishment also prove motivational.

12.5 Need and Importance of Motivation

Performance = Ability x Motivation causing willingness , This formula justifies the need of motivation in life.

Motivation is the most significant function of management. The degree of motivation affects productivity of workers and profitability of the organisation. Importance of motivation is justified on the basis of following points:-

1. Higher Efficiency
2. Better performance
3. Reduced absenteeism and employee turnover
4. Improved Morale
5. Effective utilisation of resources
6. Better Industrial relations
7. Enhanced sense of belonging among employees.
8. Less supervision required.
9. Fulfilment of Organisational objectives.
10. Improved corporate image.

12.6 Factors Affecting Motivation

Motivation is psychological phenomenon. What may benefit to whom is purely personal course. However the motivational factors can be divided into 2 categories - Monetary and non-monetary.

13.6.1 Monetary Factors- Salary, Allowance, Bonus, Perquisite etc. form monetary factors. Nothing can motivate a man more than money as such or money worth.

13.6.2 Non Monetary Factors- Job title, status, appreciation, job security, job enrichment, cordial relations, workers welfare, better working conditions and high morale etc. amount to non monetary motivational factors.

12.7 Theories of Motivation

Various theories of motivation have been propounded by management thinkers and experts. Some of these theories are as under-

Theory X , Theory Y and Theory Z -

Prof. Douglas Mc Gregor has introduced two theories in his book - The Human Side of Enterprise. These theories are known as Theory X and Theory Y.

12.7.1 Theory X = This theory is based on negative motivation and believes in negative thinking of man. This theory assumes a man to be avertive in nature. He can be prompted to work through very proper supervision, strict vigilance and strong discipline only. Workers work for fear of loss of position, employment or salary cut.

12.7.2 Theory Y = Theory Y is just opposite to Theory X. Theory Y believes that man is positive he has come to work. He must be given proper working condition and opportunity to work and then he will give results. This theory is positive in approach and is based on real concept of motivation.

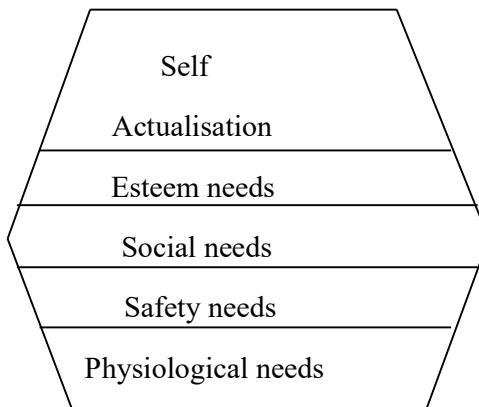
12.7.3 Theory Z - Theory Z has been developed by Prof. William G. Ouchi and is based on human relation and organisational behaviour. Theory Z believes in trust and openness, co-operation, proactive vision of employee, degree of commitment and involvement of the workers. Theory Z is based on Japanese concept of management which may not work in rest of the world because very special working conditions prevailing in Japan i.e. very informal structure, life time employment and stable working environment.

12.7.4 Maslow's needs Hierarchy Theory

Maslow a great psychologist propounded the Need Hierarchy Theory of motivation. Maslow divided the needs into 5 types (hierarchy wise)

1. Physical needs or physiological needs
2. Safety Needs or Security Needs.
3. Social Needs.
4. Esteem or Status or Ego Needs.
5. Self Actualisation Needs.

1. **Physiological Needs-** These are the basic needs related to physical wants almost essential for survival like food, clothing and shelter.
2. **Safety Needs-** Safety is the next natural need of human being. Safety and security of the body, safety and security of job, insurance against risk, provision for old age and bad days etc. form safety needs.
3. **Social Needs-** Man is a social animal and he wants social recognition, friendship and group acceptance.
4. **Esteem Needs-** Esteem needs arise after completion of social needs. Self respect self esteem and esteem for others are termed as esteem needs. Esteem needs also include ego, status, position, importance and appreciation.
5. **Self Actualisation-** Self actualisation tops all needs. This includes the need for maximising the use of one's skills, abilities and potentials to become anything that one is capable to be. This is the state of self realisation , The pyramid of need hierarchy is as under.

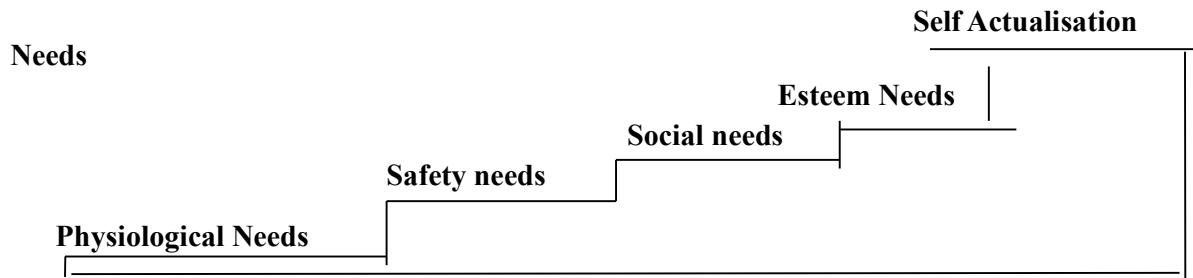


12.7.4.1 Assumption of need hierarchy theory

Dear students the need hierarchy theory is based on following assumption-

1. Man is wanting animal, his needs and wants are unending and perpetual. After one want is fulfilled another emerges.
2. Satisfied needs do not motivate rather motivation lies in unsatisfied wants.
3. Needs may have hierarchy order.
4. Need hierarchy may be different for different people depending upon the urgency of needs.
5. Motivation tools and techniques differ from person to person depending upon the hierarchy order of needs.

Need hierarchy may be depicted as under too-



12.7.4 B Evaluation of Maslow's Need Hierarchy Theory

This theory is most appreciated and accepted theory of motivation. This theory applies to the lower level workers. According to Maslow's theory people are motivated by fulfilment of unsatisfied needs. Out of these 5 needs the urgency or preference of needs is different in case of different workers.

12.7.5 Herzberg's Hygiene Model of Motivation

A research was conducted by Herzberg and his associates to study the content of motivation on the basis of interview of workman. The study concluded that there are two types of factors motivational factors and hygiene factor. The motivational factors help workman to become expert.

This theory is also known as two factor theory based on two different themes satisfaction (motivation) and dissatisfaction (hygiene).

According to Herzberg, the factors leading to job satisfaction are separate and distinct from those leading to job dissatisfaction.

Hygiene Factors -These factors are also known as maintenance factors because they maintain the level of satisfaction and performance on the job. The availability of these factors do not directly motivate to perform better but their absence dissatisfies the workers. Factors ensuring better high degree of satisfaction are known as motivational factors.

Hygiene factors support employee's mental health and include following:-

(1) Personal Life (2) Pay packet (3) Working Conditions (4) Job Security (5) Company Policy and Management (6) Harmony with self (7) Harmony with other people working in the Organisation (8) Position and status of employee.

Motivational factors beget high satisfaction and include-

(i) Work it self (ii) Quality of work of life (iii) Work life balance (iv) Potentials of growth (v) Achievement and Recognition (vi) Growth and promotion (vii) Job enrichment etc.

Comparision of Maslow and Herzberg Theories- These two theories have some dissimilarities and some similarities both the theories are known as landmark in the field of motivation study. These are sometimes complimentary to each other.

Distinction between Maslow's and Herzberg's Theory of Motivation

Basis of Distinction	Maslow's Theory	Herzberg's Theory
Base	Based on Hierarchy of needs	Base on satisfying and disatisfying factor
Order of needs	From physical to self needs	No such order
Nature	The principle of descriptive nature	prescriptive nature
Theme of theory	Only unsatisfied needs motivate a man.	Gratified or satisfied theory of needs motivate a man.

area of application	Maslow's theory taps a general Problem view of the motivational	Herzberg theory taps a micro view of the problems.
Scope	Maslow's theory also applies to all working humans.	This principle applies to those people whose lower level needs have been satisfied.

12.8 Types of Motivation

There can be following types of motivation:-

1. **Financial Motivation**- Finance is the main motivational force. Any money paid in any form causes motivation.
2. **Non financial motivation**- Words of praise and appreciation, recognition of man's contribution, job enrichment, delegation of authority collectively mean motivation to the workman.
3. **Positive motivation**- Positive motivation may be in the form of financial or non financial tips to the employees to make them feel honored and happier, this is reward based.
4. **Negative motivation**- This motivation is based on the fear prevailing in the man. This motivation is punishment centred. People work for fear of loss of job, suspension, retrenchment, stoppage of increment, demotion, transfer etc. This is punishment oriented.

12.9 Summary

Motivation is the prime need of performance, mere will power and ability of the worker do not matter what matters is motivation. A sound motivation system can cause wonder in the organisation. To be effective the motivation system should be purposive, productive, positive, equitable, stable and comprehensive. To work effectively motivation should have a judicious mix of financial and non financial incentives. There are many types of motivational techniques. One can choose any of such scheme depending upon the requirement and investment budget. There are many theories of motivation but all theories lead to one point of driving people to give their 100%.

12.10 Glossary

Induction: The act or cause of an event.

Hierarchy: A system in which members of an organization or society are ranked/ranked according to relative status or authority.

Esteem needs: are the foundation of human desires. We all want to be accepted and valued by others.

hygiene factors : The wellness factor consists of components that characterize the individual's work context (situation) and environment.

12.11 Check Your Progress

1. The process of stimulating people to work towards desired goals is called.....
2. The theory of motivation is based on human relations and organizational behavior.
3.needs involve the need to maximize the use of one's competencies/skills.
4.is also known as the two-factor theory. It is based on two opposite aspects: satisfaction and dissatisfaction.

12.12 Answer to Check Your Progress

1. Motivation
2. Theory
3. Self-Realization
4. Herzberg's Hygiene Model of Motivation

12.13 Terminal Questions

1. What is motivation?
2. Differentiate between motivation and incentive .
3. Enumerate various types of motivation.
4. What is the essence of A.H. Maslow's theory of Hierarchy of needs?
5. Differentiate between Maslow's theory and herzberg theory of motivation.
6. Differentiate between theory X and theory Y as propounded by Mc.Gregore.
7. Explain theory Z of motivation.
8. What are the hygiene factors given in Herzberg's theory of motivation?
9. What are the essentials of sound motivation system of any organisation.

10. Describe the main assumptions of theory X.
11. What is negative motivation? Do you feel negative motivation works?

12.14 References

1. Chhabra T.N. Ahuja KK and Jain SP "Managing People at work".
2. Dublin Robert Human relations in Administration
3. Berman Frederice and John B. Miner : Motivation to manage at the top executive level .
4. Kafka , Vincent W. A new look at motivation
5. David A. Decanzo :Human Resource Management
6. Stephen P. Robbins
7. Maslow A H Motivation and Personality.
8. M.C Gregor Douglas The Human side of Enterprises
9. Vroom Victor H work and Motivation.

UNIT-13 SUPERVISION

Structure

- 13.1 Introduction
- 13.2 Meaning and Definition of Supervision
- 13.3 Status of Supervisor.
 - 13.3.1 Supervisor as a middleman
 - 13.3.2 Supervisor as an officer
 - 13.3.3 Supervisor as an expert of behavioral science
- 13.4 Functions of Supervisor
- 13.5 Qualities of a good Supervisor .
- 13.6 Skills required for successful supervision.
- 13.7 Types of Supervision
 - 13.7.1 Academic or Educational Supervision
 - 13.7.2 Supportive Supervision
 - 13.7.3 Administrative Supervision
- 13.8 Impact of Supervision
- 13.9 Summary
- 13.10 Glossary
- 13.11 Check Your Progress
- 13.12 Answer to Check Your Progress
- 13.13 Terminal Question
- 13.14 References

Objective

After studying this unit you will be able to understand:-

- Describe the Meaning of Supervision
- Describe the Role of Supervision is managerial effectiveness.
- Describe the Different types of Supervision.

•

13.1 Introduction

We all are know well that people are motivated to work through fear psychology. Fear of loss of employment, fear of salary cut, demotion and transfer as a matter of punishment for not being upto the mark prompts the employees for working and delivering right type of output. If nobody watches what we are doing we may be tempted for not working very properly. The sense of “you are being watched keeps everybody alert. This justifies the need of supervision.

The quality of performance very much depends upon quality of supervision. The word supervision in a mix of too variables:

1. Super and
2. Vision.

Supervision is the state of being extra vigilant. Supervision is like counselling People who are authorised to supervise are termed as supervisor or overseers. Supervision is like inspecting so supervisor can be termed an inspectors too. This sense of supervision overseeing and inspecting is prevalent in all walks of life. Those who are an authority by virtue of their knowledge, experience, age or status supervise the work of their younger and subordinates.

13.2 Meaning and Definition of Supervision

There is hierarchy of management functionaries different levels of management form this hierarchy. Work of the lower level management people is supervised by concerned higher level ones. For example the work of lower management is supervised by middle level management and the work of middle level management is supervised by top level management. So one level of management is known as supervisory and the other one as subordinate. This is the classical concept of supervision. Technically supervision is restricted to supervising workers activities only at shop floor level.

Those who supervise are known as supervisors. Supervisors are expert in behavioural science and deal the workers to get maximum out of their act and behaviour. Supervision includes planning, organising, directing and coordination activities. Supervision is formally defined as a relationship between senior and junior members of organisation. The supervision is concerned with evaluating and monitoring the quality and quantity of the work of the juniors and subordinates. Supervision is overseeing people at work place, watching them working and

ensuring that people work according to the place policies, programme and procedure of the organisation, Supervision includes observing subordinate at work and ensuring that they adhere to the time schedule. In case subordinates feel any difficulty or problem the supervisor work as trouble shooters.

Supervisors are directly in touch with the employee and workers, operating in the organisation.

13.3 Status of Supervisor

Supervisor is the most important link between top management and workforce. The directions issued by the top management reach the workers through supervisor only and same way the grievances of the workers reach the top management through supervisor alone. He is the subordinate of the administrating management and officer of the workers. The status and functions of supervisor are as under:-

13.3.1 Supervisor as a middleman-

As already mentioned supervisor is the middle man between management and workers. He conveys the wishes of management to the workers as to what is to be done? How? When? and by whom? He also communicates the wishes and expectation of the workers to the top management. The wishes may be related to remuneration working conditions labour welfare activities, social security and others. He helps in top down and the bottom up communication. Though supervisor is very important person but he should not forget that he is just an employee like others although he is foreman and overseer.

13.3.2 Supervisor as an officer-

Supervisor holds an office as such he is an officer in the organization. He is concerned with planning organizing, staffing directing and coordinating activities. He is the important part of controlling function of management. He is an overseer who oversees and supervises. He is in charge of his section and people working therein.

13.3.3 Supervisor as an expert of behavioral science-

Supervisor necessarily has to be an expert in behavioural science. He is supposed to be expert possessing problem solving ability, communication skills, art of managing the difference, conflict management, time management and stress management etc.

13.4 Functions of Supervisor

Supervisor is one who supervises and in the process of supervision supervisor performs under mentioned functions-

1. He issues work related instructions and orders.
2. He ensures that all work related resources are available at work place.
3. He provides technical knowledge if required.
4. He develops team spirit among all subordinates and work as a leader.
5. He motivates and facilitates his fellow colleagues and subordinates .
6. He works as a middleman between workers and management. He communicates the wishes of management to the workers and wishes of workers to the management.
7. He handles the grievances of the workers and complaint of his subordinates and provides proper, solution the relief both .
8. He works as a monitor to his team workers.
9. Supervisor work as a planner organizer, motivator, friend philosopher and guide and controller.
10. He works as a front line manager.

13.5 Qualities of a Good Supervisor

To act successfully the supervisor must possess the following qualities-

1. Ability to judge and decide
2. Ability to convince
3. Creativity
4. Knowledge of organization and people (Knowing people beyond surface)
5. Forbearance and patience
6. Leadership qualities
7. Knowledge of legal provisions, rules and regulation
8. Technical competence

13.6 Skills required for successful supervision

The skills required for effective supervision are as under-

1. Good communication skills (writing, speaking and listening)
2. Good bargaining and negotiation skill.
3. Priority-setting is judgmental quality.
4. Availability physical and mental both.
5. Taking responsibility and giving credit to others.
6. Accountability
7. Realistic vision- No over commitment and no extra pressure on subordinates.

This is necessary for creating stress free, tensionless and trust building environment in the organization.

8. Sensitivity.

13.7 Types of Supervision

There could be three types of supervision -

- 13.7.1 Academic or Educational Supervision
- 13.7.2 Supportive Supervision
- 13.7.3 Administrative Supervision

13.7.1 Academic Supervision- Academic or educational supervision relates to academic or educational assessment of skills, learning and knowledge of juniors and subordinates.

13.7.2 Supportive Supervision- Supportive supervision is emotional in nature and is concerned with understanding emotional needs, providing mental and physical support and assistance.

13.7.3 Administrative Supervision- This sort of supervision is supervision in real sense and is concerned with monitoring work and workers, quality and quality control. Administrative supervision is concerned with implementation of management policies and programmes.

Supervision is concerned with the basic functions of management therefore supervisor performs all function of management i.e. planning, organizing, staffing, directing and control. This is the duty of the supervisors to see that workers work in accordance with the

predetermined standards of performance and execution. Supervisor proves to be a linking pin between management and workers.

14.8 Impact of Supervision

The good amount of supervision may result in-

1. Increased Productivity.
2. Increased Profitability
3. Satisfying working conditions resulting in high degree of job satisfaction.
4. High degree of motivation and morale among employees.
5. Improved human relations in the industry.
6. Disciplined environment.
7. Better grievance handing procedure.
8. Accurate performance appraisal system
9. Better controls in the organization.
10. Human face of management

Supervision function is so important in management that this is termed as synonym of management. Supervisor is overseer and inspector both, leader and manager both, facilitator and facilitator both, planner and mediator both, counsellor and mentor both, controller and motivator both. The role of supervisor is multidimensional and multi directional.

13.9 Summary

Supervision in all about managers all effectiveness. Supervisor in the person who is primary in charge of a section and employees working in that section. The position of supervisor is like a middleman between worker and management. He conveys the feelings of management to the workers and feelings of worker to the management. He is an important chain link in the organization.

The quality of output in the organization, industrial relations, work environment, work culture, work climate and organizational effectiveness very much depends upon the quality of supervision and skills of the supervisor. He is expected to keep everyone happy and remove

complaints. Supervision includes direction control, motivation employees counselling, redressal of problems and effective administration etc.

13.10 Glossary

Supervision: The observation of individuals at work.

Supervisors: Experts in the science of behavior who work to maximize the performance of employees through their behavior and work.

13.11 Check Your Progress

Fill in the blanks

1. is formally defined as the relationship between senior and junior members of an organization.
2. ensures that work-related resources are available at the workplace.
3. Supervision is concerned with understanding emotional needs and providing mental and physical support and assistance.
4. The supervisor is both an observer and a

13.12 Answer to Check Your Progress

1. Supervision
2. Supervisor
3. Collaborative
4. Inspector

13.13 Terminal Question

1. What is supervision?
2. Narrate the functions of supervision.
3. Discuss the principles of supervision.
4. What is the importance of supervision in industrial enterprises?
5. Describe the status of supervisor.
6. Describe the qualities of a good supervisor.
7. What are various skills required for effective supervision?
8. What are the duties and responsibilities of a supervisor?

13.14 References

- Essentials of Management: Joseph L. Massie, Prentice Hall of India Pub.

- Management Harold koonts and cyril Q Donnell Me Graw Hall.
- Management : Theory and practice of Management E most Dale, Me Graw Hill.

UNIT-14 CONTROLLING AND CONTROLLING TECHNIQUES

Structure:-

- 14.1 Intorduction
- 14.2 Meaning and Definition of control and controlling
- 14.3 Need and Importance of controling
- 14.4 Forms of control
- 14.5 Process of control
 - 14.5.1 Setting of Standards
 - 14.5.2 Measurement of Performance
 - 14.5.3 Comparision of performance and Standard
 - 14.5.4 Taking Corrective Action
- 14.6 Levels of control
- 14.7 Pre-requistes of control system
- 14.8 Concept of management by exception (MBE)
- 14.9 Principles of control
- 14.10 Resistance to control
- 14.11 How to overcome resistance to control ?
- 14.12 Techniques of control
 - 14.12.1 Traditional Techniques of Control
 - 14.12.2 Modern Techniques of Control
- 14.13 Summary
- 14.14 Glossary
- 14.15 Check Your Progress
- 14.16 Answer to check Your Progrss
- 14.17 Terminal Question
- 14.18 References

Objective

After studying this chapter you will be able to:

1. Understand the concept of control
2. Describe the nature of control
3. Describe the need and importance of control
4. Describe the techniques of controlling
5. Determine the effectiveness of control.

14.1 Introduction

As you know well that planning is the first and control is the last element of management process. This last element is most important because upon only this elementvists the success of all managerial functions. The effective and efficient management makes the things happen according to the plan, procedure and programme but this can be done through proper Control. Controlling means minimising deviation and discrepancies.

14.2 Meaning and Definition of control

Control is most important function of management. In its entirety control in the process of measurement of the performance in the light of pre-determined objectives.

E.F.L. Breach has defined control as a process of checking actual performance against the agreed standards of plans with a view to insure adequate progress and satisfactory performaed.

According to Knnotz and Weihrich- control is the measurement and correction of the performance in order to make sure that enterprise objectives and the plans devised to attain them are accomplished.

In the words of Robert Albanese- “Managerial controlling is the process of assuring that actions are in line with desired results.”

Thus control is a process of checking and correcting the activities of workforce, it involves setting of standards, measuring actual performance in the light of plan and correcting the performance if is not according to the standard. It is a process of making alignment.

14.3 Need and Importance of controlling

Control is the basic need of management functions , Control is always based on planning and involves process of variance analysis. Planning without controlling is of no avail and controlling without planning is meaningless.

The need and importance of controlling is well justified in the statement of Robbins and Coulter- control is important because it is the final link in the functional chain of managerial activities. It is the only way available to managers to know whether or not organizational goals are achieved.

The need and importance of control can be understood through following points-.

1. Controlling maintains equilibriums between ends and means, efforts and output.
2. Controlling helps in achieving goals and targets.
3. Controlling motivates the employees and keep their morale high.
4. Controlling fosters coordination and co-operation among employee.
5. Controlling is most effective tool of successful implementation of planning.
6. Controlling helps in decision making process.
7. Controlling ensures organisational stability.
8. Controlling helps in decentralisation of authority .
9. Controlling effectively helps as corrective measure.
10. Controlling is best tool of supervision.

14.4 Types of Control

There are three types of control. Strategic, Tactical and Operational and the use type of control is directly linked with the level of management. This can be viewed as under:

Level of Management	Type of Control
1. Top Management	Strategic Control
2. Middle Management	Tactical Control
3. Lower Management	Operational Control

This is clear from the chart that top management is concerned with strategic control, Middle Level Management deals with tactical control where as operational control is in the hands of floor or first level popularly known as lower management people.

15.5 Process of Control

Controlling is a process which takes place through undermentioned sequential activities:-

1. Setting of Standards.
2. Measurement of Performance.
3. Comparision of Performance and Standards.
4. Taking corrective action.

14.5.1 Setting of Standards:- Standards are the basic foundation of control process because they serve as tool of measurement of performance. Standards are expressed numerically because these are the predetermined points through which performance is measured.

The Performance standards can be classified in five categories:

- i) Productivity Standards
- ii) Time Standards
- iii) Cost Standards
- iv) Quality Standards
- v) Behavioral Standards

Standards should be fixed in all key areas only then control function can be effective.

14.5.2 Measurement of Performance:- Actual performance is measured with the help of standard norms. There are certain variables that are measured quantitatively e.g. production unit, time spent etc. whereas certain variables like attitude, moral, morale, satisfaction etc. are measured qualitatively.

14.5.3 Comparision of performance and Standard:- In this process the performances as measured is compared with standards predetermined. This comparision speaks for the difference, discrepancy or deviation between the two.

14.5.4 Taking Corrective Action:- After noticing the discrepancy between standards and performance corrective action is required so that difference could be minimised in future. The success of control depends upon taking corrective action because only this step will ensure that deviations do not occur in future.

14.6 Levels of Control

As discussed earlier the levels of Control are three-

- i) Operating Level
- ii) Tactical Level
- iii) Strategic Level

Operating level control relates to control of physical, financial, human and information communication resources. Tactical resource relate to policy implementation arena.

Strategic Level control relate to policy formation and strategic planning is prerequisite of an effective control system.

14.7 Pre-requisites of control system

As we know that control is a process so all nuts and bolts of this mechanism should be efficient and effective to make the control system workable. Following are the pre-requisites of such systems without which control will not work effectively-

- i) Control should be goal oriented
- ii) Control should effect plans, positions, structures, procedure and programme.
- iii) Control system should be flexible.
- iv) Control system should suit to the requirement of organisation.
- v) System should be cost effective.
- vi) System should generate correct information.

14.8 Principle of Management by exception (MBE)

This principle bases upon one maxim-manage only when you must , By poking nose unnecessarily in day to day functioning management people may lose their glory and grandeur. Control by exception (CBE) is the concept of controlling by Top people only when rest others have failed Top Management should be seen seldom on the floor.

14.9 Principles of Control

The concept of control is based on following principles-

- i) **Principle of objectives:-** Control aims at achieving the objectives and target therefore principle of objective is supposed to be basic principle of control.
- ii) **Principle of standards:-** The basic objective of control is minimising the gap between actual and standards so principle of standards is very important in control. Standards and norms are set keeping in view the past performance and difficulty faced.
- iii) **Principle of responsibility centre:-** This principle suggests that special attention be paid on key result areas and responsibility centres. The strategic points should be specifically focussed.

- iv) **Principle of future directed control:-** Control is long term process therefore future directed control system should be evolved which will control present as well as future deviations.
- v) **Principle of direct contact:-** This principle is based on the assumption that control can be effective if there is direct contact between controller and controlled.
- vi) **Principle of Organisational suitability:-** This should be clearly understood that control is for the organisation's betterment therefore the control be tailored to suit the organisational requirement.
- vii) **Principle of flexibility:-** Control system should be flexible to incorporate the unforeseen contingencies.
- viii) **Principle of Efficiency:-** Control can be effective only on the basis of efficiency of system and subsystems.
- ix) **Principle of cost effectiveness:-** To prove really beneficial the control should base on the concept of cost effectiveness, cost benefit analysis of any control system is very important from effectiveness point of view.
- x) **Principle of management by exception:-** Control system should take care of management by exception theory. There are normal and common unavoidable deviations and these deviations should not be reported. Only exceptional deviations should be noted acknowledged and reported for action.
- xi) **Principle of reflection of plan, Vision and Mission:-** The system as such should function according to the plans vision and mission of the organisation. Therefore controls should reflect the plan, vision and mission of the organisation.
- xii) **Principle of Action:-** Control needs action. If there is deviation between target set and achievement acquired action should be taken to bridge the gap between two.

14.10 Resistance of Control

Control is a negative concept and nobody welcomes control. There is resistance to control. Human psychology is as such. There is a general statement regarding control more you supervise and control, less I work. The basic reasons for this resistance are as under:-

Distrust syndrome- Employee take the control as if employer does not trust them.

Excessive control- Too much controls are levied in the name of control and this excessiveness hampers the freedom of subordinates and minimizes the flexibility.

Impractical standards- Sometimes impractical and unachievable standards are set and here controls may add fuel to fire so far as productively is concerned.

Inaccurate or inappropriate standards- It is better not to have any standard than to have inaccurate insufficient or inappropriate standards. Inaccurate standards will not serve the object of control in any form.

Fear of Accountability and Responsibility- Those who cannot perform will always oppose the idea of control because that may put them in trouble through comparison with better employees and performs.

14.11 Measures to overcome resistance to control

Resistance to control can be overcome through persuasion and creating atmosphere of goodwill by letting the workers know that controls do not intend to disturb their functional autonomy rather controls are just to cut cost through elimination of wastage. This can be done through following measures-

1. **Explaining justification of controls:-** Workers should be made understood that controls are the need of the organisation. Cost of not having control may be higher than having controls.
2. **Reasonable and realistic standards:-** Standards should be reasonable and realistic so that standards remain achievable.
3. **Flexibility in controls:-** Controls should not be rigid and inflexible. Flexible standards mean that standards should change according to need of time.
4. **Reward based performance appraisal:-** Controls become acceptable if performance appraisal results in reward and award.
5. **Revaluation and revision of standards:-** Standards should be viewed revalued reviewed from time to time to make standards more realistic and acceptable.

14.12 Techniques of Control

Control is most important function of management. It is said that planning is looking ahead while control is looking back. Done can't be undone but control techniques have been evolved to ensure that such mishaps and discrepancies don't occur in future. There are two types of control techniques:- Traditional & Modern.

14.12.1 Traditional Techniques of Control:- Following techniques are termed as traditional techniques.

1. Personal Observations
2. Financial Analysis
3. Quality Control

1. Personal Observation:- The basic technique of control is personal observation by observers, supervisors or overseers to give a feel to the subordinates that are being watched, Deficiency (if any) of the subordinates can be spotted and corrected immediately without any delay.

But this method is helpful in small and medium size organisations, big organizations and large corporate houses can't afford this luxury.

2. Financial Analysis:- This method of control is based on analysis of financial data, Major or tools of such analysis can be read as under-

- a) Budgeting
- b) Comparative Statements
- c) Ratio Analysis
- d) Break Even Analysis
- e) Tabular, Graphic and Diagrammatic Presentation

a) Budgeting:- Budget is the pre-estimate of income expenditure production sale and profit etc of a business house. Actual performance are compared with the budgeted figures as budget provides a yardstick for measuring deficiency or discrepancy and reasons for variance may be analysed and prevented in future course of action, Budgeting is effective tool of controlling device.

b) Comparative Statement:- Comparative statements are prepared to compare the fact and figures of two different periods. These figures help in knowing the difference and analysing the reasons for deviation and thus controlling.

c) Ratio Analysis:- Ratios are the relationship between two financial variables comparison of ratios of two different periods speak about the discrepancies and help is analysis the reasons of deviation and thus using the ratios as control technique.

d) Break Even Analysis:- Break even analysis or cost volume profit analysis define the relationship between costs, sales volume and profit. Break even point is the point of no profit on loss. This determines the point of margin of safety. BEP determines as to what should be the amount of sale (or volume) to earn any amount of profit. Business enters the area of profit only when it goes beyond BEP.

e) Tabular, graphic and diagrammatic presentation:- Statistical presentation of data can be done either through tables, graphic chart, or diagrams. This presentation is comparative and helps the viewer to know the deviation between two periods.

3. Quantity Control:- Quality control is important technique of operational management. It aims at maintaining quality of goods at each step of manufacturing process. Present is the age of zero defect product process. Quality control means looking a system where in goods are produced and sold as per norms of quality standards and this control is at each of the following stages:-

1. Incoming material
2. Production Process and
3. Final Product

Total Quality Management aims at continuous improvement of the people working in the organisation, product produced and sold. This is done through quality circles.

14.12.2 Modern Techniques of Control:- Following techniques are termed as modern techniques.

1. Management Information System (MIS)
2. Management Audit Or Proprietary Audit
3. Balanced Score Card (B.S.C)
4. Responsibility accounting (R.A)
5. Economic Value Added (E.V.A)

1. Management information system:- MIS is a formal system of collection, integrating and making available to management the accurate and timely information to facilitate the decision making process and enable the organisation in planning control and operational function to be carried out effectively.

2. Management Audit:- Audit of the management functions or process is termed as management audit. Management audit ensures that resources of the organisation are optimally

utilised, workers absenteeism and turnover rate is low, right quantity in desired quality is produced, all managers discharge their duty effectively in a cost effective manner so that all stakeholders and stockholders are satisfied management audit is also known an propriety audit.

3. Balanced Scorecard:- Balanced Scorecard is a new technique of control. This is performance measurement tool that looks at four areas. Customer, People, Process and Finance. It evaluates the organizational performance in terms of financial and non financial parameters both. It is based on the philosophy of balanced growth in all the areas.

4. Responsibility Accounting:- Responsibility Accounting means application of accounting principles in key result areas. This is based on the concept of dividing the whole organization into small units where manager of each unit is responsible for achieving the targets of their units. Important responsibility centres are as under-

- i) Cost centers
- ii) Revenue centers
- iii) Profit centers and
- iv) Investment centers

5. Economic Value Added (EVA)- EVA is an important technique of measuring success of a business organization. It indicates net wealth or value created by the organization. It's major task is maximizing shareholder worth. EVA may be positive or negative positive EVA mean that business is giving more return than the cost of funds required to produce these returns. it mans company is creating value for its shareholders. Negative EVA means companies return are less than the cost put in EVA is a tool to measure company's real profitability.

6. Standard costing:- Standard costing is a technique of cost control. The standard cost of material labour and overheads is determined on the basis of standard price and then calculated actual cost in compared with standard cost. If there is variation between the two the reasons for variance are analysed and sorted out. This helps in controlling the controllable vaiances.

7. Critical Path Method:- CPM is used for planning and controlling the most logical sequeuee of activities foe accomplishing a project C P M may be used in those projects where projects are time lined . CPM is basically a technique of project management which helps is planning, scheduling and controlling.

8. Programme Evaluation and Review Technique (PERT):-

PERT is a basic network technique which includes planning, monitoring and controlling of project. PERT like CPM is a technique of project management. PERT is used in launching new big projects, construction of ships, big buildings and highways.

14.13 Summary

Control is the last and ultimate function of management. This ensures the effectiveness of managerial function of the organisation. Controlling aims at checking current performance against pre-determined goals.

Truly speaking control seeks to compel events to conform to plans. The scope of control is very wide and is extended to all functions and operations taking place in an organisation. The need and importance of control is, well justified. There are three types of control-Strategic control at the level of top management, tactical control at the middle level management and operational control at the level of lower management. Control is sequential in nature because control is not just one function it means series of activities. To be effective control must be based on certain sound principles. Budgetary control, standard costing, Balanced Score Card, Economic Value Added, Break Even Analysis, Quality control, Management Information system, Management Audit, Responsibility Accounting etc. are various effective tools and techniques of control. The success of any organisation to a great extent **depends** upon controlling system thereof.

14.14 Glossary

Controlling: It is the process of ensuring that actual work matches planned tasks.

Management by exception: Management by exception is the practice in which only those budget or plan deviations that are of the greatest importance are brought to the attention of management.

Responsibility Accounting: Responsibility accounting is a system in which the entire organization is divided into several smaller units and each unit is assigned specific responsibilities.

Economic Value Added: EVA is an internal performance measure that compares total operating profit to total capital cost.

14.15 Check Your Progress

1. means minimizing deviations and discrepancies between objectives and achievement.

2. The process of monitoring and improving the work of the workforce is called.....
3.level control is related to physical, financial, human, and information communication processes.
4. is a basic network technology that involves planning, monitoring, and controlling a project.

14.16 Answer to Check Your Progress

1. Controlling
2. Controlling
3. Operating
4. PERT

14.17 Terminal Question

1. What do you mean by control?
2. List out the objectives of control.
3. Justify the need and importance of control.
4. Define the process of control.
5. Why controlling is termed as process?
6. Explain the essentials of effective control system.
7. Enumerate various steps involved in control.
8. Name various traditional techniques of controlling.
9. Name at least five modern techniques of control.
10. Describe the main principles of control.
11. How control is linked with planning?
12. State the limitations of control.
13. Why people resist to control?
14. How to overcome the resistance to control?
15. Describe the qualities of an effective controlling system.

14.18 Further Readings

- Essentials of Management: Joseph L. Massie, Prentice Hall of India Pub.
- Management Harold Koonts and Cyril Q. Donnell, McGraw Hill.
- Management: Theory and Practice of Management E. most Dale, McGraw Hill.

UNIT - 15 MANAGEMENT OF ORGANIZATIONAL CHANGE AND DEVELOPMENT .

STRUCTURE

- 15.1 Introduction
- 15.2 Meaning and Definition of Organizational change
- 15.3 Characteristics of organizational change
- 15.4 Factors affecting Change
 - 15.4.1 External Factors
 - 15.4.2 Internal Factors
- 15.5 Process of change
- 15.6 Resistance to Change
 - 15.6.1 Economic Factor
- 15.7 How to overcome resistance to change ?
 - 15.7.1 Proper Communication
 - 15.7.2 Participation and Involvement
 - 15.7.3 Negotiation and Education
 - 15.7.4 Change Only if it a must
 - 15.7.5 Change must be gradual
 - 15.7.6 Tactical Handling
- 15.8 Management of change
 - 15.8.1 Conceptualizing a scheme of change
 - 15.8.2 Prepare a plan for change
 - 15.8.3 Execution of Plan
 - 15.8.4 Monitoring
- 15.9 Concept and Implications of Organizational Development
 - 15.9.1 Concept of Organization Development
 - 15.9.2 Implications of Organizational
- 15.10 Meaning and Definition of Organizational Development
- 15.11 Characteristics of Organizational Development
- 15.12 Assumptions of Organizational Development

- 15.13 Various School of Thought of Organizational Development
- 15.14 Purpose of Organizational Development.
- 15.15 Organizational Development Process
- 15.16 Organizational Development and Management Development
- 15.17 Pre requisites of Change Management and Organizational Development
- 15.18 Summary
- 15.19 Glossary
- 15.20 Check Your Progress
- 15.20 Answer to Check Your Progress
- 15.21 Terminal Question
- 15.22 References

Objective

After reading and studying this unit, you should be able to:

- Understand the concept of change and organization development both from the point of view of employees and the organization.
- Describe the What ? Why ? and How ? of change management .
- Analyze the impact of changes and development.
- Distinguish between Organizational development and management development.

15.1 Introduction:

Change is the law of nature. Like individuals organization also change. With the change of business environment business organization need change in the structure and work culture. Change is essential for survival and growth of business units. Sometime a little change is required in part of the organization, sometimes drastic change, altogether change and overall change in the whole organization is necessitated. This change may be required in the size of work force, capital investment, production process, marketing strategy etc. The process of liberalization and globalization has speeded up the need of change in the organizations. Ever

rising competition has posed new challenges and threats and to cope up with the changed atmosphere much more change in the organization is warranted. What does not change, does not grow actually change is the willingness to give up the old order.

15.2 Meaning and Definition of Organization change

Change is inevitable in the organizations. Old order does not work in new times so the things should be set in order to make the organization competent enough to face the challenges and threats of new times. Change is the state of doing away with status quo.

Rensis Likert has rightly stated that every organization is in the state of change. Sometimes changes are great, sometimes small. The need to change comes from within the organization and from outside too. Organizational change more specifically can be said as change in the role and responsibility, relationship and behavior of people in the organization in order to improve the productivity and overall performance of the business house.

According to Albanese- Organizational change is rational response to changing requirements for organizational survival, growth and effectiveness. One management expert defines organization change in following words “Organizational change is the intentional attempt of management to improve the overall performance of individuals, groups and the organization as a whole by altering the organization’s structure, behavior and technology.” Organizational change may also be defined as the response to the forces of the environment.

Organizational change may be defined as change in the attitude values, behavior of the people working in the organization. Organizational change may be proactive or reactive. Change is proactive if the change has been initiated by the management at its own to improve the overall performance of the organization. When change becomes a need by the force of external or internal factors the change is said to be reactive. Though change is need of every organization but it is not usually a welcome state.

15.3 Charactisation of organizational change

Business organizations are exposed to all environmental changes. When there is change outside change inside the organization becomes a must. Change may be wholesome or in piecemeal but change is inevitable. The basic characteristics of change are as under-

1. Change is the caused behavior.
2. Change may be planned or unplanned.
3. Change may be wholesome or in piecemeal.
4. Change is a continuous or unending process.
5. Change is rectory process.
6. Change may be external, internal or both.
7. Change usually registers resistance.
8. There are change agents who bring change.
9. Changes may prove you leader in business world.
10. Management of change is the key to success in business.
11. Change is natural process, hence inevitable. One can't do away with change. Those who do not change are always exposed to the risk of being changed.

15.4 Factors affecting change

There are two factors necessitating change in the organization external and internal.

15.4.1 External Factors

External factors force the organization to change the structure, work culture, system or functioning. Important external factors are as under :-

1. Social Factors
2. Economic Factors
3. Political Factors
4. Technological Factors

5. Natural Factors
6. Global Factors

15.4.2 Internal Factors- Internal factors relate the organization itself and may be related to all or any one of the following factors:-

1. Change is rectory process.
2. Change may be external, internal or both.
3. Change usually registers resistance.
4. There are change agents who bring change.

15.5 Change process

Change occurs when something ends and something new or different begins. Successful change combines decisions that fall within the rigid (firm) and flexible (soft) areas. The so-called hard area includes project planning, software implementation, and installing new computers and networks. The soft zone of people includes decisions designed to help employees adopt new technology and work methods. The theoretical model of change management is the starting point for successfully implementing rapid change. However, due to current conditions, these management models are not being considered for successful implementation of initial changes.

Current change models are being considered for the description of each organization. Kurt Lewin proposed a three-stage theory of change, commonly known as unfreeze, transition, and freeze.

15.6 Resistance to Change

Feelings of insecurity are a component of resistance to change, as individuals experience insecurity in a changed environment.

15.6.1 Economic Factors:- Change may cause financial loss (directly or indirectly) to the people for which they are not ready.

Organizational Resistance:- Like individuals organization also resist to change because of following reasons-

Financial factors:- Changes may cost too much (as it involves financial implication) hence organizations do not implement changes.

Fear of Employee opposition:- Organization sometimes don't institute change, because they apprehend of opposition from employees side. They are afraid of group inertia.

Threats foreseen:- Organization see threat to established power relationship, resource allocation and dominance if they change.

15.7 How to overcome resistance to change ?

Resistance to change is natural but change is essential, therefore ways and means to overcome resistance to change must be resorted to Few such steps are as under:-

15.7.1 Proper Communication:- All those who will be affected by changes have a right to know why changes are taking place. They must be taken into confidence through very proper communication.

15.7.2 Participation and Involvement:- Changes should not be thrust upon people rather it should be brought in with the spirit of involvement and participation of all concerned. If it has approval and involvement of people at large the planning and implementation of change becomes easier.

15.7.3 Negotiation and Education:- The change programme should be informed to all concerned communicating its best uses. Negotiation if any may also be resorted to. If need be written consent may be sought from prospecting resisters in order to avoid any unpleasant situation.

15.7.4 Change only if it a must:- Change should not be initiated for change sake only. Change cost a lot financially and otherwise hence change should be the last option.

15.7.5 Change must be gradual:- Change does not mean total change or abrupt change rather it should be slow and gradual. Gradual change is easy to digest and accept. Change should not give a feel of my job is completely changed.

15.7.6 Tactical handling:- Management should deal the resistance tactically and tactfully. When people resist change the management may adopt manipulative policy.

15.7.7 Explicit and implicit coercion if required:- If no other formula works explicit and implicit coercion may be restored to. Transfer demotion, suspension, termination and dismissal may make people accept the changes.

15.8 Management of Change

Planning, Organization, Execution and Monitoring are 4 important variables of management. For proper management of change following steps are required.

15.8.1 Conceptualizing a scheme of change:- As already stated change should not be thought of for change sake only. Change should base on any proper thought base. A proper scheme of change be conceptualized before it is planned. SWOT analysis must be carefully done. Pros and Cons of implementing change should also be evaluated and calculated through cost benefit analysis.

15.8.2 Prepare a plan for change:- If change in essential proper plans for change should be prepared. This preparation should base on need, resource, time, manpower, quality of people, resource allocation etc. Plan should be time lined.

15.8.3 Execution of Plan:- Prepared plan should be properly executed. Success of change depends upon execution of plan to change, Who will execute the change? How the change will be executed? What will be process of change? are some important questions to be dealt with properly. This ensures the effective execution of change plan.

15.8.4 Monitoring:- Monitoring or control is the key to success of effective management. Change should be Monitored carefully. The effect of change on various variables of organization must be reviewed properly and timely. Discrepancies and deviations should be weeded out.

15.8.5 Effort to overcome resistance to change:- The real managing the change means managing the change successfully and effectively. No man unhappy on the issue of change. All

possible efforts must be done to overcome the resistance to change. If resistance is overcome people would accept change happily willingly and in welcome manner. With proper efforts and care the change becomes acceptable to the people working in the organization because they are made to understand that change will benefit them individually and collectively both.

15.9 Concept and Implications of organizational Development

15.9.1 Concept of Organization Development:-

Development is the wide spectrum concept which ensures the development of the thing else to ensure organizational effectiveness. All managerial practices need to be development centric. The concept of Organization Development emerged in the sixties (60's) and is very well acknowledged concept now.

15.9.2 Implications of Organizational-Development Implications of Organizational Development from Employee's Point of view-

- i) Personal growth through training and development leading to promotion to next higher position.
- (ii) Increased productivity and enhanced salary.

Implications of Organizational Development- from Organizations Point of view:-

- (i) Creating learning organisation culture.
- (ii) Creating cooperative environment.
- (iii) Producing high degree of employee engagement, commitment and participation.
- (iv) To promote human face of management.
- (v) Managing through heart.
- (vi) Instituting grievance handling and problem solving machinery and mechanism.
- (vii) Attaining fine quality of work life and organizational effectiveness.

15.10 Meaning and Definition of Organization Development

Organization Development is a planned process of change to better the course of effectiveness.

Organization Development is the end result of use of behavioral science techniques.

According to Warren Blennis Organization Development may be defined as a response to change, a complex educational strategy intended to change the beliefs, attitudes value and structure of organization so that they can better adapt to new technologies, markets and changes and the dizzyenial rate of change itself.

Organization Development is a system wide application of behavioral science knowledge to the planned development and re-enforcement of organizational strategies structure and processes for improving an organizational effectiveness. organization development is long term and long range behavioral philosophy adopted by top management.

Burke defined organizational development as a planned process of change in an organization's culture through the utilization of behavioral science, technology research and theory. Technically it refers to development of human resources of the organization and management of change. Organization Development is value based, system wise, colloborativbe process based on behavioral science knowledge and is concerned with culture. It is about organizational effectiveness.

In the opinion of Dale S. Beach- Organization development is a planned process designed to improve organizational effectiveness and health through modifications in individual and group behavior, culture and system of the organization using knowledge and technology of applied behavioral science.

To summaries Organization Development is a conscious and planned process of developing an organization's capacities and capabilities so that it can cope up with the need of hour and it can attain an optimum if not maximum level of performance.

15.11 Characteristics of Organization Development

The main characteristics of Organization Development are as under:-

1. Organization Development is a planned and conscious effort.
2. Organization Development is a process involving lot many actions and activities.
3. Organization Development aims at improving organization effectiveness.
4. Organization Development is a system oriented and result centric concept.
5. Organizational development believes in the purity of human values, ethics and governance (governance system).
6. Organizational development enhances the people working in the organization.
7. Organization Development enhances the problem solving abilities of the people of the organization.
8. Organization Development is most dynamic and interactive process.
9. Organization Development is based on the norms of human behavior.
10. Organization Development is body of knowledge (theory and practice both).
11. Organization Development is based on close relationship between change agent and people who are being changed.
12. Organization Development is based on behavior science.
13. Organization Development tries to fit the Organization to man.
14. Organization Development reflects the human face of management.
15. Organization Development is based on thinking planning and acting.
16. Organization Development is ultimate result of furthering, advancing or promoting constant growth of any organization.

Organisation Development is based on mutuality i.e. interpersonal communications, self awareness and self acceptance, knowledge and ability of the workers. Usual variables of Organization Development strategies, structure processes people culture and problem solving ability of all concerned Organization Development is based on OCTAPACE meaning thereby openness, confrontation, Trust Authenticity, Pro Activeness, Autonomy collaboration to change

organization development treats the organization as a system. A system is orderly group of logically related parts, beliefs, values and principles. Organization Development is a long term effort led and supported by top management to improve an organization's envisioning, empowering, learning and problem solving process.

15.12 Assumptions or values of Organization Development

The concept of Organization Development is based on the following value set or assumptions-

1. Human beings are humane and therefore basically good responding and contributing.
2. All human being want to be recognized as human being, they need confirmation and support to this fact.
3. People are people so they can grow because they are capable of learning new ways and can adjust to the changed circumstance.
4. Usually people are flexible and open they adjust and accommodate.
5. Every individual is a different individual and bears a personality of his own.
6. Every individual understands and wants to be understood.
7. Every individual has a sense of commitment and participation.

15.13 Diverse Schools of Organizational Development Thought

The theory and practice of change management are described (outlined) in various (many) social science disciplines and traditions and schools of thought (schools). These schools are as follows:

1. Individualistic approach;
2. Group dynamics school;
3. Open systems school

1. Individual Approach: According to this school of thought, organizational development behavior is the result of the interaction of individuals with their environment. According to this school of thought, all behaviour is learned and the human being (person) is a passive recipient

of external data. This school also believes that a person's behavior is a product of environment and reaction, change your understanding and circumstances will prompt (lead to) behavior change.

2. Group Dynamics School: In this school of organizational development, organizational change arises from group/by group interactions. According to this school of thought, behavior should be changed according to prevailing practices and standards, not because of individuals. And it should also be considered which values, ideals (standards) and roles are being performed (held) by the group.

3. Open-System View: In this school of organizational development, organizations are composed of interrelated subsystems. This view also believes that changes in one part of the system can cause changes in other parts of the system. And it is about achieving overall performance and synergy. In this view, the overall business objectives should be achieved collectively and the organization should be understood in its entirety.

15.14 Purpose of Organization Development

Organization Development aims at:-

1. Promoting industrial peace through better employer employee relationship.
2. Enhancing employees morale through motivation and incentives.
3. Creating trust centric work culture.
4. Making system more open and transparent so that communication in vertical and horizontal directions becomes easier and effective.
5. Empowering the people and making them more responsive.
6. Promoting the spirit of mutuality, working as a team and improving the efficiency of the organization.
7. Bringing change in the system through use of behavioral science, techniques and practices.

The real object of organizational development programme is to enhance the productivity of people and profitability of the organization and thus proving managerial effectiveness. The objects if achieved prove to be beneficial to the all stakeholders and stockholders of the organization. It calls for better performance appraisal and reward based philosophy. Organization Development care of:-

1. Individual and Group Development
2. Inculcating team spirit in real terms
3. Empowering employees
4. Transforming and achieving competitive edge of the organization.
5. Evaluating present system and introducing new system (if required) to deliver goods.

15.15 Organization Development Process

Organization Development is not one single activity rather it involves series of a activities.

Organization Development is a process. Organization system involves following steps-

- 1. Realization of Need of Organization Development:-** The first thing first. The need of Organization Development be felt and recognized. This to be done at top management level. Top management must know what is wrong? and where? This should be scrutinized in all departments and cells.
- 2. Diagnosis of the problem:-** Once the need for Organization Development is established the diagnosis of the problem is made. Proper diagnose leads the way to proper treatment of the problem.
- 3. Identification of problem:-** Through proper diagnosis the exact problem is identified. This identification of problem establishes relationship between the problem to hit and problem shooters.

4. Making Organization Development Programme:- Organization Development programming to overcome the problem is designed with the help of experts and experienced people.

5. Implementation of Organization Development Programme: Organization Development programme is implemented in letter and spirit to derive desired results.

6. Review and evaluation:- After implementation proper monitoring, review and evaluation is done on continuous basis.

15.16 Organizational Development and Management Development

Organization Development conceptually differs from management development (MD) rather management development is part of organization development. Management development takes care of development of managers of various functional areas whereas organizational development attempts to develop the entire organization and to improve managerial effectiveness this way J.B. Miniter has rightly concluded this difference. He says Organizational Development tries to fit organization to the men whereas MD tries to fit the men to the organization with reference to the existing objectives and structure, MD focuses on training and redevelopment of managers for better performance whereas organizational development focuses on improving organization's effectiveness. MD could have short term planning and programme since it is short range effort whereas organizational development is long lasting process with long term objectives. The process of MD can be implemented by existing internal management whereas external change agents are needed to implement Organizational Development process. MD concerns technical skills whereas Organizational Development concerns behavioral sciences leading to problem solving ability. MD is a tool of Human Resource Development while Organizational Development aims at developing human and non human resources both.

16.17 Prerequisites of change Management and organizational development

Organizational development is a special approach to organizational change in which the employee themselves decide the required change and implement. There are certain prerequisites needed for successful change management and organizational development.

1. Prevalence the sense of urgency Let the people feel that change and development is urgent.
2. It must base on commitment and involvement of all concerned .
3. There must be competent teams and effective team leaders to do what is intended .
4. There must be constant dialogue and communication to make organizations open and transparent .
5. Sharing vision is a must , Reward of change and development must be shared by all .
6. Constant monitoring of activities must be made to make sure that there is no deviation is path & goal of the organization .Conditioning of mind , continues training , regular practice should become the regular features of the organization .

15.18 Summary

Organizational change and organizational development are most important variables of managerial effectiveness . Change in the organizational become , necessary if the things outside have change . This change is needed both in people's behavior and technology used. For sustainately the organization need to change.

People usually resist to change management mechanism the things could be set right. Organizational development is the end product of management of change. Organizational development is a planned process of change in organizations culture through utilization of behavioral science technology research and precipitation organizational development in value based system wise collaborating process . It is all about organization is effectiveness . To proceed successfully organizational development must result in the development of people of the organizational

15.19 Glossary

Change: The act or process by which something becomes special (different).

Organizational Change: Organizational change management is concerned with reviewing and changing (modifying) the structure and business processes.

Development: The systematic application of scientific and technical knowledge to achieve specific objectives or needs.

15.20 Check Your Progress

Fill in the blanks

1. Change in attitudes, values and behaviour of people working in an organisation is known as.....
2.factors force the organization to change its working methods, system structure, tasks, culture.
3.tries to organize the individual in accordance with the objectives and structure prevalent in the organization.

15.21 Answer to Check Your Progress

1. External
2. Organizational Development
3. Management Development

15.22 Terminal Questions

Q-1 What do you mean by change ?

Q-2 Why people resist to change ?

Q-3 How to overcome the resistance to change in the organization ?

Q-4 Define process of change

Q-5 Is change always for better ?

Q-6 Define the concept of management of change .

Q-7 Define the concept of organizational development

Q-8 Enumerate the implication of Organizational development from employees point of view

Q-9 Enlist the characteristics of Organizational development.

Q-10 What is the basic purpose of Organizational development?

Q-11 Describe the organization development process.

Q- 12 What is relationship between Organizational development and management development ?

Q-13 Describe the assumptions or values of Organizational development.

Q-14 Explain the types of changes

Q- 15 Describe steps involved in management of change .

15.23 References

1. Essentials of Management: Josheph L. Massue, Prentice Hall of India Put.

2. Management Harold koonts and cyril Q Donnell Me Graw Hall.
3. Management : Theory and practice of Management E most Dale, Me Graw Hall.