GBA S1 01

PRINCIPLES OF MANAGEMENT AND ORGANISATIONAL BEHAVIOUR

SEMESTER–1

BACHELOR IN BUSINESS ADMINISTRATION

BLOCK 1

KRISHNA KANTA HANDIQUI STATE OPEN UNIVERSITY

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BACHELOR IN BUSINESS ADMINISTRATION

PRINCIPLES OF MANAGEMENT AND ORGANISATIONAL BEHAVIOUR

Block 1

DETAILED SYLLABUS

UNIT 1: Introduction to Management **Page : 7-16**

Concepts of Management, Meaning of Management, Nature and Characteristics of Management, Scope of Management; Levels of Management; Administration and Management; Management as Science and Arts;

UNIT2: Development of Management Thought **Page : 17-43**

Development of Management Thought, Classical Approach (Frederick Winslow Taylor and Scientific Management, Henry Fayol and Administrative Management, Comparison Between Taylor and Fayol) Neo-Classical Theory (Hawthorne Experiments, Behavioural Science Approach), Modern Approach(Contribution of P.F. Drucker, Quantitative or Management Science Approach, Systems Approach, Contingency Approach)

UNIT 3: Functions of Management **Page : 44-58**

Planning, Organizing, Staffing, Controlling, Coordination; Managerial Skills; Indian Management Style and Tradition

UNIT 4: Planning **Page : 59-77**

Nature and Characteristics of Planning, Types of Plans, Steps in Planning Process, Importance of Planning, concept of strategic planning,

UNIT 5: Organising **Page : 78-95**

Concept of organisation, organisational structure-formal and informal organisation, departmentation, span of control, Types of Organisation

UNIT 6: Staffing **Page : 96-109**

Definition, manpower management, job design , selection process, performance appraisal

UNIT 7: Controlling : **Page : 110-133**

control process, types, barriers to control making, control techniques, budget and non-budgetary control

COURSE INTRODUCTION:

This is the first course in BBA programme. This course introduces us to the subject- Principles of Mangement nad Organisational Behaviour. This course is designed as an introduction to management and organisational behaviour. As such, it will provide us with an overview of the many functions that managers must perform. We will discuss what management is, and in doing so, we will discover the management functions such as planning, organizing, staffing and controlling also we will discuss the organisation behaviour , Organizational behavior is the study of both group and individual performance and activity within an organization. This area of study in this course examines human behavior in a work environment and determines its impact on job structure, performance, communication, motivation, leadership, etc. The course has 14 units and is divided into Two blocks; Block 1, and Block 2.

Block 1 deals with the introductory concepts of mangement, development of management, functions of management, concept of planning and organising.

Block 2 concentrates on, Motivation, Decision Making and Leadership, Concept of staffing and Controlling, concept of Organizational Behaviour , Personality and Perception, Group Behavior and Team Development and contemporary issues in Management

Each unit of these blocks includes some along-side boxes to help you know some of the difficult, unseen terms. Some “EXERCISES” have been included to help you apply your own thoughts. You may find some boxes marked with: “LET US KNOW”. These boxes will provide you with some additional interesting and relevant information. Again, you will get “CHECK YOUR PROGRESS” questions. These have been designed to self-check your progress of study. It will be helpful for you if you solve the problems put in these boxes immediately after you go through the sections of the units and then match your answers with “ANSWERS TO CHECK YOUR PROGRESS” given at the end of each unit. And, at the end of each section, you will get “CHECK YOUR PROGRESS” questions. These have been designed to self-check your performance.

BLOCK INTRODUCTION

This is the first block of the course 'Principles of Management and organisational Behaviour'. The Block is divided into 7 units which are related to the concepts of Principles of Management. Block 1 deal with the basic concepts of management and the development of management and overview of the functions of management. This block is designed to provide a comprehensive introduction to the study of management. It is primarily a learner oriented Self learning material, as it satisfies the requirements of the learners in the filed of 'management'.

The block is divided into 7 units:

Unit- 1 Introduction to Management

Unit- 2 Development of Management thought

Unit- 3 Functions of Management

Unit- 4 Planning

Unit- 5 Organising

Unit- 6 Staffing

Unit- 7 Controlling

UNIT 1: INTRODUCTION TO MANAGEMENT

UNIT STRUCTURE

1.1 Learning Objectives

1.2 Introduction

1.3 Meaning and Basic Concepts of Management

1.4 Nature and Characteristics of Management

1.5 Scope of Management

1.6 Levels of Management

1.7 Management as Science and Art

1.8 Administration and Management

1.9 Let Us Sum Up

1.10 Further Reading

1.11 Answers to Check Your Progress

1.12 Model Questions

1.1 LEARNING OBJECTIVES

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

- describe the basic concepts and meaning of Management
- discuss the nature and Characteristics of Management
- learn the scope of Management
- learn the levels of Management
- discuss Management as Science and Art
- describe administration and Management.

1.2 INTRODUCTION

In the present day industrial world, management has become universal. With the increase in the complexities of management of business concerns, the importance of 'Management' has increased enormously. The principles of management are being applied not only for managing business concerns, but also to manage various other institutions like hospitals, educational and social institutions and government. Management occupies

such an important place in the modern world that the welfare of the people and the destiny of the country are very much influenced by it.

In this unit we will discuss about the scope and levels of management and its difference with administration. Then we will explain why we consider management as both science as well as an art.

1.3 MEANING AND BASIC CONCEPTS OF MANAGEMENT

Meaning of Management

Unlike other subjects like philosophy, psychology and economics, management is a relatively new subject. The principles and techniques of management are still in a developing stage and the definitions of management given by different scholars emphasize different aspects of management. The following are a few of the important definitions of the term 'management'.

1. George R. Terry: "Management is a distinct process consisting of planning, organizing, actuating and controlling performance to determine and accomplish the objectives by the use of people and resources".
2. S. George: "Management consists of getting things done through others. Manager is one who accomplishes the objectives by directing the efforts of others".
3. Peter F. Drucker: "The first definition of management is that it is an economic organ of industrial society. It means taking action to make the desired result to pass."

From the above definitions, it is clear that management means things done through others by directing their efforts in an integrated and coordinated manner in order to attain business objectives. It is a process consisting of functions such as planning, organizing, actuating and controlling business operations in such a manner as to attain the predetermined goals.

1.4 NATURE AND CHARACTERISTICS OF MANAGEMENT

An analysis of the definitions of management indicates that the management has the following characteristics:

1. **Management is an activity:** Management is a process of organized activity, which is concerned with the efficient use of resources of production. Resources include materials, money and people in the organization.
2. **It is concerned with the efforts of a group:** Management is concerned with the management of people and not the direction of things. It inspires and motivates workers to put forth their efforts to the maximum extent.
3. **Management is getting things done:** Management is the art of getting things done through and with people in formally organized groups. In other words, a manager does not do any operating work himself but gets it done through others.
4. **Involves decision-making:** Management involves decisions relating to various aspects of management. It is said that management is the decision making process and the decisions are involved in all the functions of management.
5. **It is a universal activity:** Managers, irrespective of the enterprise in which they are working and their place in the organization structure, make use of the management principles. It means that the techniques and tools of management are universally applicable.
6. **It is an integrating process:** It integrates men, machines and materials for carrying out the operations of an enterprise and for achieving the stated objectives.
7. **Management is both science and an art:** It has developed certain principles and laws, which are applicable to any group activity of the organization. It is also an art, because it is concerned with the application of knowledge for the solution of organizational problems.

8. **It is an interdisciplinary approach:** Management as a body of discipline takes the help of other social sciences like psychology, sociology, anthropology, engineering, economics, mathematics, etc.
9. **It is dynamic not static:** Management adapts itself to the social changes and also introduces new ways or doing things.

1.5 SCOPE OF MANAGEMENT

Management includes the following aspects:

1. **Subject matter of management:** It consists of various management functions such as planning, organizing, staffing, directing and controlling
2. **Functional areas of management:** It consists of the following functional areas:
   a. *Financial management:* It includes cost control, budgetary control, financial planning, management accounting, standard costing etc
   b. *Personnel management*: It includes aspects such as recruitment, training, transfers, promotions, retirement, industrial relations, social security, etc
   c. *Purchasing management*: It consists of purchasing of raw materials, maintaining records, materials control, issuing materials to the departments, etc
   d. *Production management:* It deals with aspects such as production planning, quality control and inspection, production control techniques, etc.
   e. *Marketing management:* It includes marketing of goods and services, price determination, channel determination, market research, sales promotion, advertisement, publicity, etc.
   f. *Office management:* It is concerned with office layout, staffing, equipment of office, etc.
   g. *Maintenance management:* It relates to the proper care and maintenance of the building, plant and machinery, etc.

h. Transport management: It includes packing, warehousing, transportation by rail, road, air etc

3. **Management is an interdisciplinary approach.** For the correct and effective application of the principles of management, a study of various other subjects such as economics, sociology, mathematics, psychology, behavioral science, statistics etc. are necessary.

The above mentioned scopes of managements are applicable to any kind of organization.



CHECK YOUR PROGRESS

Q 1: Choose the correct answer-

A) Management is concerned with-

(i) Formation of goals (ii) Accomplishment of goals

(iii) Performance appraisal (iv) All of the above

B) Management is –

(i) A group activity (ii) A decision making process

(iii) An integrating function (iv) All of the above

C) Functions of management is/are–

(i) Keeping records (ii) Planning

(iii) Controlling (iv) Both (ii) and (iii)

1.6 LEVELS OF MANAGEMENT

All managers' position depends on performance of management functions. But there are differences among managerial jobs. The differences arise because of the existence of various levels of management in a typical organization.

The term **level of management** refers to a line of ***demarcation*** between various managerial positions. In a large organization, three levels of management are usually identified:



demarcation: A boundary of a spicific area.

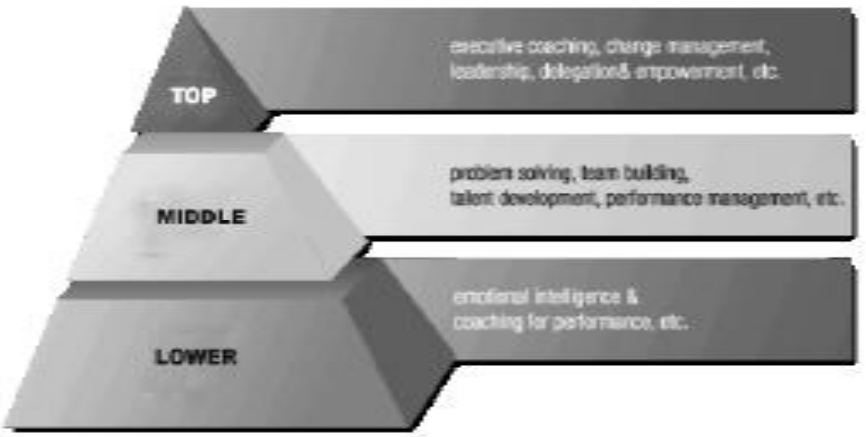


Fig: 1.1 Levels of Management

1. **Top Level Management:** Top management constitutes the highest level in the management hierarchy; managers are responsible for the overall direction and operations of an organization. This is the policy making level in any organization. This level consists of a small group of executives. Board of Directors, Chairman, Managing Director and the top functional heads and divisional managers comprise this level.
2. **Middle Level Management:** Middle level managers receive broad, overall strategies and policies from top managers and translate them into specific goals and plans for front-line managers to implement. Managers who work at levels between the lower and the top levels constitute the middle management. Departmental heads, Regional managers, Zonal managers, and so on fall in this category. They report to top managers.
3. **Frontline or Lower Level Management :** Managers who are directly responsible for the production of goods and services are frontline/ lower level managers. This is the lowest level in the hierarchy of management. Usually the jobs at this level are the entry-level positions into management profession. Managers at this level direct the operating employees (workers). They are close to the action and their job involves supervising the activities of the operatives. Frontline managers are called foreman, supervisor, superintendent, and inspector and so on. For instance, in a manufacturing concern in the production departments they are called foreman, in marketing, finance and other departments,

they are called management trainees or junior executives.

1.7 MANAGEMENT AS SCIENCE AND ART

Science is a systematized body of knowledge acquired by mankind through observation and experimentation based on certain principles capable of general application. Art, on the other hand, is concerned with the application of skill or knowledge so acquired. If this idea of science and art is applied to managerial activity, it is clear that management is both a science and an art. The term is clear that management is both a science and an art. The term 'management' involves providing a body of principles or laws for the solution of specific management problems and the objective evaluation of results. Further, the analysis of the functions of management has led to the development of certain principles, which are useful for solving concrete business problems in future. On the other hand, the art of management is concerned with applying of skills and knowledge for accomplishing an end through deliberate efforts. Thus, we find that management is both science and an art.

1.8 ADMINISTRATION AND MANAGEMENT

Different writers use the terms 'administration' and 'management' in different senses. Broadly, there are three different types of views expressed by different schools of thoughts, which are given below.

According to some writers (like Drucker, Fayol and Newman), there is no distinction between the terms 'administration' and 'management' and both of them are synonymous and used interchangeably. According to these writers, running of a business or social institution, or a government office requires specialized skills and this specialized skill is called 'management' in business and 'administration' in government and other social institutions. In other words, executive functions in business are referred to as 'management' whereas the executive functions of other institutions like government and public bodies are termed 'administration'.

According to Henry Fayol there is only one administration or management

science, which can be, applied equally well to the public and private affairs. He has stated: “all undertakings require planning, organizing, command, co-ordination and control and in order to function properly, all must observe the same general principles. We are no longer confronted with several administrative sciences, but with one which can be applied equally well to public and private affairs”. (Thus, according to him, both the terms are synonymous and any distinction betweentwo is misleading.)

According to another school of thought, administration and management have different functions. According to this school, administration is a top level function, which centers round the determination of major policies and objectives of a business enterprise (i.e.. thinking function), while management is a lower level function involving the execution of policies and directing the operations to attain the objectives laid down by the administration (i.e. doing function)

Thus, according to this school of thought, administration and management are not synonymous and they have different functions to perform. If we accept this view, the differences between ‘administration’ and ‘management’ are as follows:

1. Administration is concerned with policy making while management is concerned with implementation of policy.
2. Functions of administration are legislative and largely determinative, whereas functions of management are executive and largely governing.
3. Administration is a thinking function and management is a doing function.
4. Administration relates to the apex and top-level management whereas management relates to middle and lower level management.
5. Administration needs administrative rather than technical ability but management requires technical ability more than administrative ability.



CHECK YOUR PROGRESS

Q 2: What are the different levels of management?

.....

Q 3: State any two differences between administration and management.

.....

.....



1.9 LET US SUM UP

In this unit, we have learnt about the meaning and importance of management and its various implementations in different fields. The concept of management has become universal and no organization can survive without it. Management consists of getting things done through others by directing their efforts in an integrated and coordinated manner for achievement of business objectives.

Here we have also discussed different levels of management; which are top, middle and lower. Managers perform different activities based on the levels.



1.10 FURTHER READING

1) Drucker, Peter F. (1993), *'Practice of Management'*, Allied Publications, New Delhi.

2) Koontz, Harold and Weihrich, Heinz (2007), *'Essentials of Management'*, Tata McGraw Hills, New Delhi.

3) Rao, V. S. P. and Hari Krishna, V. (2005), *'Management : Text and Cases'*, Excel Books, New Delhi.

4) Robbins, Stephen P., Judge, Timothy A. and Sanghi, Seema, *'Organizational Behavior'*, Prentice Hall, Delhi.



1.11 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: A) All of the above B) All of the above
C) Both (ii) and (iii)

Ans to Q No 2: Different levels of management are top, middle and lower level management.

Ans to Q No 3: Difference between administration and management are:

1. Administration is concerned with policy making while management is concerned with implementation of policy.
2. Functions of administration are legislative and largely determinative, whereas functions of management are executive and largely governing.



1.12 MODEL QUESTIONS

Q 1: What is management? Distinguish between management and administration.

Q 2. Give an outline of management thought during the 20th century.

Q 3: What is scientific management? Explain its basic elements.

Q 4: Discuss in detail different levels of management.

Q 5: Differentiate between management and administration.

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UNIT 2: DEVELOPMENT OF MANAGEMENT THOUGHT

UNIT STRUCTURE

2.1 Learning Objectives

2.2 Introduction

2.3 Development of Management Thought

2.4 Classical Approach

- 2.4.1 Frederick Winslow Taylor and Scientific Management
- 2.4.2 Henry Fayol and Administrative Management
- 2.4.3 Comparison Between Taylor and Fayol

2.5 Neo-Classical Theory

- 2.5.1 Hawthorne Experiments
- 2.5.2 Behavioural Science Approach

2.6 Modern Approach

- 2.6.1 Contribution of P.F. Drucker
- 2.6.2 Quantitative or Management Science Approach
- 2.6.3 Systems Approach
- 2.6.4 Contingency Approach

2.7 Let Us Sum Up

2.8 Further Reading

2.9 Answers To Check Your Progress

2.10 Model Questions

2.1 LEARNING OBJECTIVES

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

- explain the development of management thought
- describe the classical theory of management
- explain the contributions of Taylor to Scientific Management
- describe the approach of Fayol's administrative management
- compare the contributions of Taylor and Fayol
- explain the neo-classical theory of management

- discuss the Hawthorne Experiments
- understand the behavioural science approach and modern theory of management
- explain the contributions of P.F. Drucker
- describe the quantitative, systems and contingency approach of management.

2.2 INTRODUCTION

This unit starts with an introduction to the process of development of management thought. Then the different theories of development of management thought has been explained with special reference to Taylor's Scientific management and Fayol's administrative management concept. A comparison between both has also been presented in the unit. In addition to this, the unit also discusses the famous Hawthorne experiments and the contributions made by Peter Drucker to the field of management.

2.3 DEVELOPMENT OF MANAGEMENT THOUGHT

Management today is counted as one of the most important fields of study owing to its ever increasing importance for organisational effectiveness. The various principles and concepts of management facilitate efficiency in organisational operations. These guiding principles of management however were not formulated overnight. In fact, the reality is that the concept of management has co-existed human civilisation since time immemorial. Man has always engaged in the management of fellow men or other resources in some way or other. So management has always been a part of the routine human lives as experiences and experiments. But, the recognition of management and its importance as a distinct field or discipline is a recent phenomenon. Thus any organised attempt to systematise all the experiences and experiments as management practices could be traced back to around the late 19th century. Since then, management thoughts have been evolving on a continuous basis. This time span over which the different concepts of management have developed may be categorised into five eras, namely:

1) Pre-scientific Management era (before 1880)
2) Scientific Management era (1880-1930)
3) Human Relations era (1930-1950)
4) Social Science era (1930-1950)
5) Management Science era or Modern Management era (1950 onwards)

These time periods are not exact though and maybe counted as suggestive only. This is mainly because of the fact that different intellectuals from different backgrounds were making their observations, experiments and recommendations in an overlapping manner both in terms of time and ideas. Similarly, another way of understanding the development of management thought is to classify the management thoughts and ideas into three distinct theories of management: *classical, neo-classical and modern approach*. These have been explained further.

2.4 CLASSICAL APPROACH

The classical approach comprises of the developments in management thought that mark the beginning of the systematic study of management. In other words, it includes the contributions of Robert Owen, Charles Babbage, James Watt and Henry Town in regard to emphasis on personnel aspects of management and benefits for them spread over the two eras of pre-scientific and scientific management. However, their contributions were considered insignificant in terms of stimulating management study as a distinct discipline. Yet, they are believed to have set the stage for a systematic study of management, which was initiated by Taylor in the early part of the 20th century. This study later came to be known as Scientific Management.

2.4.1 Frederick Winslow Taylor and Scientific Management

Frederick Winslow Taylor was born in 1856 in Philadelphia, USA. Born into a middle class family, Taylor began his career in 1870s as an apprentice in a small machinery making shop in

Philadelphia. He later joined the Midvale Steel Company as a worker and then rose to the position of a supervisor and finally the Chief Engineer. Taylor completed his Master of Engineering and subsequently joined the Bethlehem Steel Company and became the General Manager. Both during service and post retirement, Taylor continued with his experiments and research on how to increase efficiency of people. His findings and contributions compiled together gave way to what we know as "Scientific Management" today. Since Taylor emphasised on solving managerial problems in a scientific manner, he is referred as the 'father of scientific management' and his contributions as the 'principles of scientific management'. According to Taylor, "scientific management means knowing exactly what you want men to do and then seeing that they do it in the best and cheapest way."

Taylor's contributions can be described in two parts: Elements and tools of scientific management and Principles of scientific management.

a) Elements and tools of Scientific Management

In order to raise the efficiency level of the human beings at the workplace, Taylor conducted several experiments with a view to standardise the work and find out better means of doing it. These experiments eventually gave rise to the following distinct features of what is today known as scientific management:

i) Separation of planning and doing : According to Taylor, there must be clear separation of the planning aspect from the actual doing aspect of the work concerned. In other words, Taylor highlighted the need to entrust the planning job to the supervisor and free the worker for only the doing aspect of the work concerned.

ii) Functional Foremanship : This concept of functional foremanship was developed by Taylor based on the specialisation of functions. The idea of separating planning from doing made way for a supervision system which allowed

adequate planning work in addition to proper supervision on workers. Accordingly, functional foremanship involves eight persons to direct the workers. Of these, four persons are concerned with planning: route clerk, instruction card clerk, time and cost clerk and the disciplinarian. The remaining four persons are concerned with the doing aspect of the work. They are the speed boss, inspector, maintenance foreman and the gangboss.

iii) **Job analysis :** Taylor suggested the concept of job analysis so as to find out the best possible way of doing things. Accordingly, time-motion-fatigue studies were considered as the ideal technique of determining the best means of doing a job. *Time study* involves determination of the time taken to do a work and finding the least time possible for getting it done. *Motion study* on the other hand tries to eliminate the wasteful movements and performing only necessary movements for a job concerned. And *fatigue study* deals with an assessment of the rest intervals necessary for ensuring full capacity for doing a job after taking proper rest. Thus Taylor's job analysis suggests the fair amount of a day's work requiring certain movements and rest periods to complete it.

iv) **Standardisation :** It refers to maintaining standards in respect of instruments and tools, period and amount of work, working conditions, cost of production etc. based on job analysis and various elements of costs required for performing a job.

v) **Scientific selection and training of workers :** Taylor suggested the scientific selection of workers based on education, experience, physical capacity etc. and their adequate training for optimising effectiveness and efficiency.

vi) **Differential piece rate system :** Taylor observed that workers are highly motivated by financial incentives. Hence he applied the differential piece rate system, under which the workers of higher efficiency were paid higher wages and slow and

inefficient workers were penalised by paying lower wages.

vii) **Economy :** Scientific management also emphasised on economy and profit aspects of industry. Taylor highlighted that use of scientific techniques helped to optimise the use of resources and eliminate wastages thereby bringing in more economy and profits for the firm.

viii) **Mental revolution :** Taylor believed that a healthy industrial climate is dependent upon the mental change in both the workers and the management. This change must be from conflict to cooperation, because without this, no other scientific principle of management would work.

b) Principles of Scientific Management

Apart from the mentioned elements of scientific management, Taylor gave certain basic principles of scientific management which can be stated as below:

i) **Replacing rule of thumb with science :** Rule of thumb means a principle which may not however be accurate and reliable in every situation. Hence, Taylor believed that these rules of thumb which emphasises estimation should be replaced with scientific method for ensuring precision in determining every aspect of a work.

ii) **Harmony in group action :** Taylor emphasised that there must be group harmony through mutual give and take situation thus enabling removal of discord and maximising optimal contribution from the group.

iii) **Cooperation not individualism :** Scientific management asserted the need for mutual cooperation between management and workers rather than chaotic individualism amongst the people in the organisation.

iv) **Maximum output in place of restricted output :** Taylor was against the idea of deliberately curtailing output and inefficiency. So stressed the importance of maximising output to the extent of creating a quarrel for dividing it.

v) Development of workers to the maximum extent : Scientific management underlines the need for scientific selection and training of the workers inorder to develop them to the maximum possible extent and make them fully fit as per the changing work requirements.

Critical analysis of Scientific Management

Although scientific management indicates a remarkable development in the field of management, it is criticised on the ground that it relates more to the engineering perspective rather than the management viewpoint. In other words, it is more concerned with the technical aspect of efficiency instead of the broader aspects of management of an organisation. Apart from this theoretical consideration, it was also opposed by trade unions, industrialists and general public because many followers started taking an aggressive mechanical view of production and side-lined the human aspect at the work place. It further led to the growth of a strict authoritarian form of supervision and exploitation of workers. Hence, there were many who did not actually favour Taylor's scientific management.



CHECK YOUR PROGRESS

Q 1: What is the ideal technique of determining the best means of doing a job?

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2.4.2 Henry Fayol and Administrative Management

Apart from Taylor, another significant contributor to the classical theory of management is the French industrialist, Henry Fayol. Fayol's contributions were first published in book form titled

'*Administration Industrielle at Generale*' in French language, in 1916. However, it was only after the publication of the book in English around 1929 that Fayol rose to prominence in the field of management. Fayol believed that management is a universal phenomenon and preferred to use the term 'administration' instead of 'management'. He further emphasised that principles of management are flexible and not absolute and are usable regardless of changing and special conditions.Fayol found that the activities of an industrial organisation may be divided into six groups:

1. Technical (relating to production);
2. Commercial (buying, selling, and exchange);
3. Financial (search for capita and its optimum use);
4. Security (protection of property and person);
5. Accounting (including statistics); and
6. Managerial (planning, organising, command, coordination, and control).

Fayol devoted himself to analyse the sixth one i.e. managerial activity because that was not as well-known as the previous five. The entire approach towards studying management by Fayol can be divided into three parts:

a) Managerial qualities and training : Fayol was the first person to identify the essential qualities of a manger. Accordingly, the six types of qualities that a manager requires are:

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

According to Fayol, the most important ability for a worker is

technical with insight becoming the most important ability for top level executives. On the other hand, the relative importance of managerial ability increases as one goes up the scalar chain.

b) General principles of management : The general principles of management as given by Fayol consist of fourteen principles or statements of fundamental truth which establishes a cause and effect relationship between different variables. These principles were given with special emphasis on two things: i) the list forwarded is not exhaustive but suggestive in nature. ii) the principles of management are not rigid but flexible. The 14 principles have been stated as follows:

1. *Division of Work :* This principle was advocated by Fayol with a view to reap the benefits of specialisation that may result from proper division of work.
2. *Authority and Responsibility :* Fayol finds that there must be a parity of authority and responsibility, because responsibility arises out of authority and to discharge it well, there must be adequate authority assigned.
3. *Discipline :* Discipline indicates obedience, behaviour and outward mark of respect shown by employees. Fayol says the success of an organisation depends upon discipline, which may either be self-imposed or command discipline.
4. *Unity of Command :* Unity of command means a person should get orders and instructions from only one superior. This is for the purpose of avoiding the chances of conflict, chaos and confusions.
5. *Unity of Direction :* Fayol suggested that better coordination among various activities can be attained only when there is the concept of one head one plan practiced under the principle of unity of direction. This principle focuses on having common goals towards which all members and their efforts may be directed.

6. *Subordination of Individual Interest to General Interest :* This principle highlighted the importance of common interest above individual interest. During conflict situations, individual interest must be subordinated to general interest.
7. *Remuneration of Personnel :* Fayol believed that employees must be remunerated in a fair and satisfactory manner. He also favoured non-financial benefits though it was limited to only the large scale organisations.
8. *Centralisation :* The extent of centralisation and decentralisation would depend upon the type and needs of the organisation. Hence according to Fayol, it is a matter of proportion and the management should decide the best balance of both.
9. *Scalar Chain :* Fayol suggested the principle of scalar chain with a view to clearly denote the line of authority and communication from the highest executives through each position to the lowest level. However, Fayol said, exceptions to this rule may be made and the route short circuited in special circumstances for the greater interest of the organisation.
10. *Order :* The principle of order underlines the importance of a proper place for both things and man. Material and social order is highly essential for ensuring successful management.
11. *Equity :* Equity indicates a balance of justice and kindness, which must be practiced by the managers while dealing with the subordinates.
12. *Stability of Tenure :* This principle refers to ensuring security of jobs for the employees and elimination of unnecessary turnover as well.
13. *Initiative :* It is all about coming forward with ideas or actions for greater interest of the organisation. This

principle emphasises the liberty that needs to be allowed to everyone in the organisation in terms of suggestions, opinions and plans.

14. *Esprit de Corps :* This principle is based on the idea of 'unity is strength' and the extension of unity of command for establishing team work.

c) Elements of Management : According to Fayol, management should be viewed as a process consisting of five elements which actually represented the functions of management. These functions consisted of planning, organising, commanding, coordination and control.Fayol is of the opinion that these functions are required at all levels of management and in all types of organisations.

2.4.3 Comparison Between Taylor and Fayol

After discussing about the two major contributors to the development of management thought, it becomes imperative to compare both the management giants. Both Taylor and Fayol tried to develop certain principles that would enable efficiency in work and management. Accordingly, this comparison may be done in the light of the similarities shared by both and the dissimilarities in their views.

1. Similarity : The main points of similarity between Taylor and Fayol may be stated asfollows:

1. Both are classical management thinkers, theorists and practitioners.
2. Both attempts to solve managerial problems in a very systematic manner.
3. Both have developed a set of principles meant for solving managerial problems and ensuring efficiency in the process.
4. Both Taylor and Fayol emphasised that effective management actions can be attained only if it is based on sound principles.

5. Taylor and Fayol both emphasised that managerial qualities can be acquired through training, for which the organisations should make proper attempts.
6. Both have emphasised harmonious relationships between management and workers for the achievement of organisational goals.

2. Dissimilarity : Even though certain similarities between the two approaches have been highlighted, there exist certain differences between Taylor and Fayol's approach. These have been stated as below:

1. Taylor's approach had a shop-floor level perspective whereas Fayol's approach was mostly holding a higher management level perspective.
2. Scientific management focussed on efficiency through work simplification and standardisation but Fayol's approach highlighted overall efficiency by observing certain principles.
3. Taylor's principles resulted from scientific observation and measurement whereas Fayol's principles were the personal experiences translated into universal truths.
4. Taylor was concerned with the operative aspect of management but Fayol related to the administrative aspect.
5. Taylor's principles were production and engineering oriented but Fayol's principles were more about managerial functions..
6. The overall contribution of Taylor can be understood as a basis for accomplishing on the production line but Fayol's contribution was towards a systematic theory of management.



CHECK YOUR PROGRESS

Q 2: Which principle states the rule of *'one head one plan*?'

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2.5 NEO-CLASSICAL THEORY

The neo-classical approach to management consists of the developments that occurred during the human relations era and the social science era. It developed basically out of the famous Hawthorne's experiments. Later on, many contributions have been added to this field. Besides Prof. Elton Mayo, this approach is based on contributions of behavioural scientists and social scientists as M.P. Follett, C.I. Barnard, Rensis Likert, A. H. Maslow, Douglas McGregor etc.The essence of neo-classical theory is contained in two points:

i) an organisation should be viewed in social as well as economic and technical terms.

ii) the social process of group behaviour can be understood in terms of clinical method.

The neo-classical theory recognises the significance of factors like informal organisation, informal leader, non-economic motivation etc. which were otherwise almost ignored by the classical theory. It is basically humanistic in its approach and adds the study of behavioural science in the field of management. In fact many consider this approach as an extension of the classical theory of management. The famous Hawthorne experiments mark the beginning of the intensive and systematic analysis of human factor in organisations.

2.5.1 Hawthorne Experiments

The Hawthorne experiments were conducted at the Hawthorne plant of the General Electric Company, Chicago, by Prof. George Elton Mayo and his team consisting of sociologists Whitehead and Roethlisberger and a company representative William Dickson. These experiments were initiated taking note of the need to investigate the real causes behind the dissatisfied workers and poor productivity. Though the company was counted as the most progressive company with pension and sickness benefits to the workers, productivity was not up to the mark. And hence these researchers were called upon to study the situation. The researchers conducted various researches to study the relationship between productivity and physical working conditions. The experiments were carried out in four phases, with each phase attempting to answer the question raised at the previous phase. The four phases have been presented as follows:

i) *Illumination Experiments* (1924-1927). These were conducted initially to determine the effects of changes in illumination on productivity. The hypothesis to this experiment was that with higher illumination i.e. lighting at the workplace, the productivity would increase. Accordingly a group of workers were chosen and placed in two separate groups. One group was exposed to varying intensities of illumination and the other was put under constant intensities of illumination. The former group was referred as experimental group and the latter as the control group. Interestingly, what was revealed was that illumination did not have any effect on productivity but something else did interfere with productivity. Then it was finally concluded that human factor was important in determining productivity. However, exactly which human aspet was affecting had to be determined through a new set of experiments. Hence followed the second phase.

ii) *Relay Assembly Test Room Experiments* (1927-28): These experiments were concerned with assessing the effect of changing job conditions on group productivity. A relay assembly test room was set up and two girls were chosen to form a team of six girls. The remaining four were chosen as per the choice of the former two girls. The work related to the assembly of telephone relays and an observer was associated with the girls to supervise their work. The experiments started with numerous changes being introduced in terms of incentive system, rest period, working hours and workday as well. Interestingly, all of these resulted in an increase in productivity and a decrease in absenteeism and need of supervision. The researchers assumed that these positive factors were taking place because of the positive changes initiated. The researchers then decided to revert back to the original system of no rest and no benefits. Surprisingly, productivity increased further. This development led to a change in the assumption that productivity increased due to positive changes in physical factors. Rather a new belief was created which emphasised that productivity actually increased due to the change in girls' attitude towards the work and the sense of belongingness and stability felt by them.

iii) *Mass Interviewing Programme* (1928-30): This set of experiments primarily focussed on understanding the worker's attitudes and sentiments through interviews. Almost around 20,000 interviews were conducted during 1928 and 1930 to determine the employees' attitude towards company, supervision, insurance plans, promotion, and wages. The interview programme gave valuable insights about human behaviour in the company. It revealed the influence of group behaviour on the workers' behaviour in the organisation. However this was not considered to be satisfactory by the researchers and hence another series of experiments were

conducted.

iv) *Bank Wiring Observation Room Experiments* (1931-32): These experiments were conducted with a view to analyse the functioning of small group and its impact on individual behaviour. Accordingly a group was created with fourteen male workers to be employed in the bank wiring room. The hypothesis was that in order to earn more, workers would produce more and in order to get group bonus, they would help each other to produce more. However, in reality, this hypothesis did not hold good for reasons stated by workers as fear of unemployment of slow workers, increasing standards of performance etc.

This study suggested that informal relationships are an important factor in determining the human behaviour. The Hawthorne experiments facilitated the resolving of management-employee conflicts through better human relations in the organisation.

Implications of Hawthorne Experiment

The Hawthorne experiments have helped to unearth the factors that help to motivate people at the workplace. The major findings of the experiments can be presented as follows:

1. People are social beings, and hence social factors like informal system, logical and non-logical behaviour etc. along with their social characteristics determine the output and efficiency in the organisation.
2. Workers tend to form their own unofficial groups and get influenced by the group norms. The management cannot overlook this aspect and hence has to deal with workers as members of work groups subject to group influence.
3. Owing to different informal relations within the organisation, there is every possibility of conflicts taking place. This further leads to adjustment issues and the changes that might follow its absence or presence.
4. Leadership is important for directing group behaviour and it may be either formal or informal in nature. In some areas,

informal leader is more important in directing group behaviour.

5. Friendly, attentive and genuinely concerned supervision affects the productivity favourably in comparison to a more controlled form of supervision.
6. Communication is an essential aspect of an organisation and a better understanding between management and workers can be developed through proper communication.



CHECK YOUR PROGRESS

Q 3: According to the Hawthorne Experiments, which type of relationship is an important determining factor of human behaviour in an organisation?

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2.5.2 Behavioural Science Approach

The neo-classical theory of management would remain incomplete without the special mention of the behavioural scientists and their significant contributions. Better referred to as the behavioural science approach, this approach puts more emphasis on human resources in an organisation compared to the other physical and financial resources. This approach can be understood from two perspectives: *interpersonal behaviour approach* and *group behaviour approach*. Both sociologists and psychologists have contributed to this approach of management. Among them, the names of Maslow (Need Hierarchy), Herzberg (Motivation-Hygiene theory), McGregor (Theory X and Theory Y), Lewin (Group Dynamics), etc. have also contributed towards this behavioural science approach. The major conclusions of this approach can be summarised as follows:

1. Job is a source of motivation to employees and people do not dislike work. Instead, if given an opportunity to establish objectives, they will want to achieve them.
2. There is tremendous untapped potential in the people which generally goes unutilised.
3. The manager must focus on using this untapped human potential for the organisation.
4. The manager should create a healthy environment to ensure optimum contribution from the subordinates.
5. Participation in important matters and self-direction for subordinates must be allowed.
6. Expansion of subordinate influence, self-direction and self-control is necessary for improving operating efficiency.
7. Full use of employee potential may lead to improvement in work satisfaction.

2.6 MODERN APPROACH

The modern approach of management is comparatively a recent development in the field of management. It is basically an extension of the previous two approaches and makes use of various mathematical formulae, statistical tools, economic models and engineering knowledge. Several experts like Herbert Simon, Tom Peters, Peter Drucker, Michael Porter, Stafford Beer etc. belong to this era. One of the major contributors worth discussing is Peter F. Drucker. The contributions of Drucker have been stated as follows:

2.6.1 Contribution of P. F. Drucker

Peter Drucker with his diverse experience and background consisting of psychology, sociology, law, and journalism, is the most widely known contemporary thinker of management. Through his consultancy assignments, Drucker has actually contributed to various approaches of management thought. There are several

books and important papers to his credit. Of the books authored by Drucker, *The Practice of Management* (1954), *Managing by Results* (1964), *The Effective Executive* (1967), and *Management Challenges for 21st Century* (1999) are worth mentioning. The main contributions of Drucker can be stated as below:

1. **Nature of Management:** Drucker emphasises innovation and creativity as the basic objective of management and is totally against the idea of bureaucratic management. He treats management as a discipline having its own tools, skills, techniques and approaches. Drucker also highlights the practice aspect of management and hence considers it as a liberal profession and not as a strict profession.
2. **Management functions:** According toDrucker, management in itself has no functions or existence. It is the organ of its institution and enabling the institution to make contributions is the job of the manager. The manger has to perform certain functions which will ultimately make the institution contribute towards
   i) the specific purpose and mission of the institution;
   ii) making work productive and satisfactin to the worker.
   iii) managing social impacts and social responsibilities.
3. **Tasks of a manger:** A manager has to perform several functions within the organisational perspective. He has to play the role of the administrator for improving upon the existing and the already known. He also has to act as an entrepreneur for redirecting the resources from areas of diminishing results to increasing results. According to Drucker, a manager has to perform several functions: setting of objectives, decision making, organising and motivating.
4. **Key areas for setting of business objectives:** Drucker lays great emphasis upon the objective setting function of the manager and has identified eight key areas requiring clear objective setting. These are: market standing, innovation,

productivity, physical and financial resources, profitability, managerial performance and development, worker performance and attitude, and public responsibility.

5. **Organisation structure:** Drucker was against bureaucratic structure and emphasised three basic characteristics of an effective organisation structure. These are: i) enterprise should be organised for performance; ii) it should contain the least possible number of managerial levels; and iii) it must make possible the training and testing of tomorrow's top managers.
6. **Organising aspects:** Drucker also identified three major aspects concerning the organising process which involved: activity analysis, decision analysis and relation analysis. Activity analysis is all about the work to be performed and the emphasis to be laid on each activity. Decision analysis consists of assessing the degree of futurity of a decision, its impact and its currency. Relation analysis facilitates the manning of the structure and defining it.
7. **Federalism:** Drucker advocated federalism in the form of close links between the decisions adopted by the top management and the autonomous unit as well. He emphasised the participation of the local management in the decision making that sets the limit of their own authority.
8. **Management by Objective:** Drucker introduced the concept of Management by Objectives (MBO) in 1954 and it is considered as one of his most important contributions to the management discipline. According to Drucker, MBO is all about setting clear cut objectives for each individual in the organisation keeping in mind the main goal and matching the resources with the objectives set. It also ensures participative management for providing motivation to the individuals.
9. **Organisational changes:** Drucker foresaw the rapid changes in the society due to the rapid technological developments.

Hence, he suggested that human beings should be prepared with dynamic organisation structures in order to absorb these changes easily when compared to the static structures and face these challenges for making the society better.

Drucker's contributions have been recognised and accepted across the globe. His foresightedness and understanding have been readily welcomed by other management thinkers as well thereby making him one of the most popular thinkers of the present times.

The major streams under the modern theory of management consist of the *quantitative approach*, the *systems approach* and the *contingency approach*.

2.6.2 Quantitative or Management Science Approach

Also known as the mathematical approach, this approach visualises management as a logical entity, the action of which can be expressed in terms of mathematical symbols, relationships, and measurement data. The prime focus here is the mathematical model and the main features of this approach can be stated as below:

i) Management can be regarded as the problem-solving mechanism with the help of mathematical tools and techniques.

ii) Every managerial activity can be quantified.

iii) It covers decision-making, systems analysis and some aspects of human behaviour.

iv) Operations research, mathematical tools, simulation, models etc., are the basic methodologies to solve managerial problems.

This is a fast developing approach towards understanding management and providing more exactness in solving managerial problems. However, it is criticised on the ground that it tends to ignore the human element governed by irrational factors as well.



CHECK YOUR PROGRESS

Q 4: What is the prime focus area of the quantitative approach to management?

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2.6.3 Systems Approach

This is an integrating approach that considers management in its totality. It emphasises interrelationships and interdependence of all components of an organisation. In fact, it counts management as a system at large. The systems concept applied to management, gives the following features of management:

i) Management is a social system which consists of many subsystems which are integrated to constitute an entity.

ii) Management is an open system which has to give weightage to environmental factors affecting it.

iii) Management has the basic role of adaptability to environment.

iv) Management as a system is dynamic as it tries to balance both internal processing and external interactions.

v) Management is probabilistic and cannot be certain owing to the dynamic environment.

vi) Management has the multilevel and multidimensional features since it has both the micro and macro approach and can be applied to the suprasystem and the subsystem in addition to the system level.

vii) Management is multivariable as it has to consider many variables simultaneously thus making it complex in nature.

viii) The systems approach ensures that management takes an integrated view of managing and not an isolated view of a phenomenon.

Implications of the systems approach

The systems approach of management provides an integrated approach of managing and considers management in its totality.It rejects the simplistic approach of managerial analysis and suggests uniformity of management of an organisation with the demands of the organisational environment and the members' needs.

Limitations of the Systems Approach

Despite the highly held notions of the systems approach as the start of a unified theory of management, it suffers from certain limitations which cannot be overlooked. These limitations include:

i) The abstract nature of this system fails to state precise relationships among different factors in and outside the organisation thereby making it limited in its approach.

ii) The systems approach lacks universality in the sense that it is more applicable in case of large organisations and not suitable for small organisations.

In an attempt to overcome these limitations of the systems approach, a newer approach has emerged known as the contingency approach.

2.6.4 Contingency Approach

The contingency approach is another important component of the modern theory and approach of management. It is based on the idea that there cannot be a particular management action that will be suitable for all situations. Rather, it counts an appropriate action as one which is designed on the basis of external environment and internal states and needs. Contingency approach tries to adequately fill the gap between organisation and its environment which is otherwise left out by the systems approach. This is facilitated by the contingency approach by suggesting what should be done in response to an event in the environment. Also known as situational approach, this approach takes into account not only the given situations but also the influence of given solutions on the behaviour

patterns of an organisation. The basic features of the contingency approach can be stated as below:

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

Implications of contingency approach

The major implications of contingency approach are as follows:

1) Management is entirely situational and there is nothing like universal principles of management or one best way of doing a particular thing. Rather the actions of managers are dependent on the circumstances and environment.
2) This approach suggests suitable alternatives for those managerial actions which are generally contingent upon external and internal environment such as organisational design, strategy formulation, leadership etc.
3) Since organisations interact with its environment, neither the organisation nor any of its subsystems is free to take absolute action. Rather, it has to modify and adjust the actions subject to various forces like social, political, technical and economic.

Limitations of contingency approach

Contingency approach suffers from certain limitations, which can't be overlooked though.

1) Inadequate literature makes the subject of contingency approach insufficient in terms of providing a specific solution to a specific type of problem or situation.
2) Even though the suggestion of the approach is very simple, the practical application is very complex.
3) Contingency approach presents problems of testing the precepts of the theory.

4) It is basically a reactive theory and not a proactive type.

No doubt these limitations do exist, but the organisations have to use this contingency approach according to the needs of the situations.



CHECK YOUR PROGRESS

Q 5: What is the main idea upon which the contingency approach of management is based?

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2.7 LET US SUM UP

In this unit we have discussed the following:

- The development of management thought can be understood by classifying the management thoughts and ideas into three distinct theories of management: classical theory, neo-classical theory and modern theory.
- F.W. Taylor is known for the significant contributions made to the management field, especially in regard to the scientific management concept.
- Henry Fayol extended the administrative management concept in an attempt to analyse the managerial activity of an industrial organisation.
- The famous Hawthorne experiments marked the beginning of the intensive and systematic analysis of human factor in organisations under the neo-classical theory of management.
- The neo-classical theory of management would remain incomplete without the special mention of the significant contributions made by the behavioural scientists like Maslow, Herzberg, Argyris, Likertetc
- Peter Drucker is considered to be one of the most influential

contemporary contributors to the field of modern management, especially in regard to the concept of MBO.

- The systems approach is a part of the modern theory of management that considers management in its totality and emphasises the interrelationships and interdependence of all components of an organisation.
- The contingency approach is another important component of the modern theory and approach of management based on the idea that there cannot be a particular management action that will be suitable for all situations.



2.8 FURTHER READING

1) Drucker, Peter F. (1993), *'Practice of Management'*, Allied Publications, New Delhi.

2) Koontz, Harold and Weihrich, Heinz (2007), *'Essentials of Management'*, Tata McGraw Hills, New Delhi.

3) Rao, V. S. P. and Hari Krishna, V. (2005), *'Management : Text and Cases'*, Excel Books, New Delhi.

4) Robbins, Stephen P., Judge, Timothy A. and Sanghi, Seema, *'Organizational Behavior'*, Prentice Hall, Delhi.



2.9 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Taylor's job analysis involves the notion of time-motion-fatigue studies, which were considered as the ideal technique of determining the best means of doing a job. In fact job analysis actually suggests the fair amount of a day's work requiring certain movements and rest periods to complete it.

Ans to Q No 2: Fayol suggested that better coordination among various activities can be attained only when there is the concept of one head one plan practiced under the principle of unity of direction. This principle

focuses on having common goals towards which all members and their efforts may be directed.

Ans to Q No 3: According to the Hawthorne Experiments, informal relationship is an important determining factor of human behaviour in an organisation.

Ans to Q No 4: The prime focus area of the quantitative approach of management is the mathematical model. In fact, this approach visualises management as a logical entity, the action of which can be expressed in terms of mathematical symbols, relationships, and measurement of data.

Ans to Q No 5: The contingency approach of management is based on the idea that there cannot be a particular management action that will be suitable for all situations. Rather, it counts an appropriate action as one which is designed on the basis of external environment and internal states and needs.



2.10 MODEL QUESTIONS

Q 1: Discuss the contributions of scientific management to the development of management thought.

Q 2: Assess the contributions of Henry Fayol to management thought.

Q 3: State the essence of the neo-classical theory of management.

Q 4: Discuss the Hawthorne Experiments as an important development in the field of management.

Q 5: Discuss the behavioural science approach of management.

Q 6: Assess the contributions of Peter Drucker in the development of management thought.

Q 7: Management is an open system which has to give weightage to environmental factors affecting it. Explain.

Q 8: Explain the contingency approach of management and its implications.

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UNIT 3: FUNCTIONS OF MANAGEMENT

UNIT STRUCTURE

3.1 Learning Objectives

3.2 Introduction

3.3 Functions of Management

- 3.3.1 Planning
- 3.3.2 Organizing
- 3.3.3 Staffing
- 3.3.4 Controlling
- 3.3.5 Coordination

3.4 Managerial Skills

3.5 Indian Management Style and Tradition

3.6 Let Us Sum Up

3.7 Further Reading

3.8 Answers To Check Your Progress

3.9 Model Questions

3.1 LEARNING OBJECTIVES

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

- explain planning and its principles
- define goals and objectives
- discuss the concepts of organizing, staffing, controlling and coordination
- learn the Indian Management style and tradition

3.2 INTRODUCTION

In the present day industrial world, management has become universal. With the increase in the complexities of management of business concerns; the importance of 'management' has increased enormously. The principles of management are being applied not only for managing business concerns, but also to manage various other institutions like hospitals,

educational and social institutions and government. Management occupies such an important place in the modern world that the welfare of the people and the destiny of the country are very much influenced by it.

You will find this unit interesting because here you will know the importance of different functions of management and how managers plan and perform their task in the organization.

3.3 FUNCTIONS OF MANAGEMENT

As mentioned before, Henry Fayol in the early part of 20th century classified the five functions of management as planning, organization, command, coordination and control. Luther Gulick classified functions of management by using the alphabets **POSDCORB** that refers to :

- Planning
- Organizing
- Staffing
- Directing
- Coordination
- Reporting
- Budgeting

It is clear that Gullick's classification is similar to that of Fayol, only new is that he divided the function of controlling into reporting and budgeting.

3.3.1 Planning

Planning is concerned with the determination of objectives to be achieved and the course of action to be followed to achieve them. Before starting any action, one has to decide how and where it has to be performed. Thus planning implies decision-making as to what is to be done, how it is to be done, when it is to be done and by whom it is to be done. Planning helps in achieving the objectives efficiently and effectively. It involves selection of objectives, strategies, policies, programmes and procedures for achieving them.

Approaches to Planning : Managers follow various approaches to planning based on the extent of participation, authority delegation and competency level of managers working at various levels, namely :

a. **Top-down Approach :** In most family-owned enterprise, authority and responsibility for planning is centralized at the top. The top management defines the mission, lays down strategies, and specifies action plans to achieve the stated goals. The blueprint is then passed on to the people working at lower levels, who have very little to contribute to the process of planning. The success of this approach is wholly dependent on the qualifications, experience and capabilities of people working at the top level.

b. **Bottom-up Approach :** Thinking and doing aspects in the planning process are two sides of the same coin. So, if lower level managers were drawn into the preparation and implementation of plans, their loyalty and commitment would go up automatically. Participation enables them to give their best to the plan document. In bottom up approach, the lower level managers conveys their opinion to the top level manager.

Types of Planning : Planning may be classified into several types on the basis of comprehensiveness, time span and frequency of use of the plan. A brief description of these follows :

a. **Long-range Planning :** A plan that covers many years and affects many departments or divisions of an organization in a major way. Long range planning is quite common in stable industries such as steel, public utilities and automobiles.

b. **Short-range Planning :** A plan that is specific and detailed and generally covers a span of one year or less. Short-range plans are otherwise called operational plans. Market plans, production plans and financial plans are typical examples of operational planning.

Importance of Planning : Planning is an essential activity carried out in all organizations in the modern world. Planning helps in

determining the goals of an organization and the activities needed to satisfy these goals. If organizations are operating on a day-to-day basis with no feel of where they are heading, the result will be haphazard. Planning helps an organization in the following ways :

a) **Provides Direction :** Planning as a road map shows direction where the organization is heading and for what. Without plans and goals, organizations merely react to daily occurrence without considering what will happen in the long run.

b) **Reduces Uncertainties :** Planning enables organizations to shake off their inertia and insulation in outlook. It induces them to go beyond narrow vision and cut through uncertainties of the environment.

c) **Facilitates Decision-Making :** Decision-making involves searching of various alternative courses of action, evaluating them and selecting the best one. Planned targets serve as the criteria for the evaluation of different alternatives so that best one may be chosen.

d) **Improves Efficiency :**Planning serves as a mechanism to make judicious allocation of limited resources for achieving organizational goals. Planning adds value to resource by ensuring their judicious and best use for the fulfillment of organizational requirement.

e) **Provides Unifying Framework :** Planning forces people to continually address their efforts to the most important work rather than the least important. Plans serve as the basis of coordinating the efforts of different divisions, departments and people.



CHECK YOUR PROGRESS

Q 1: List out two long range planning and five short ranges planning in any organization.

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3.3.2 Organizing

According to Fayol, "to organize a business is to provide it with everything useful to its functioning-raw materials, tools, capital and personnel". Thus, organizing involves bringing together the manpower and material resources for the achievement of objectives laid down by the enterprise. Organizing involves the following processes:

a. Determining and defining the activities involved in achieving the objectives laid down by the management;

b. Grouping the activities in a logical pattern;

c. Assigning the activities to specific positions and people; and

d. Delegating authority to their positions and people so as to enable them to perform the activities assigned to them.

Organizing function helps in increasing the efficiency of the enterprise. Further, by avoiding repetition and duplication of activities, it reduces the operation cost of the enterprise.

But organizing function can be useful to the enterprise only when there are clear and verifiable objectives, clear understanding of the activities needed to achieve, the objectives and clear definition of the authority assigned to the manager at every level.

3.3.3 Staffing

Every enterprise is very much concerned with the quality of its people, especially its managers. The staffing function is very much

concerned with this aspect of management. According to Harold Koontz and Cyril O'Donell, "the managerial function of staffing involves manning the organizational structure through proper and effective selection, appraisal and development of personnel to fill the roles designed into structure", thus, the staffing function involves:

a. Proper selection of candidates for proper positions;
b. Proper remuneration;
c. Proper training and development so as to enable them to discharge their organizational functions effectively; and
d. Proper evaluation of personnel.

Staffing function is performed by every manager of the enterprise, as he is actively associated with the recruitment, selection, training and appraisal of his subordinates. For example, the Board of Directors of the enterprise undertakes the staffing function by selecting and apprising the Chief Executive who, in turn, performs these functions in relation to his sub-ordinates like divisional heads of the enterprise. Similarly, departmental heads or their sub-ordinates also perform the staffing function.

Staffing function is a difficult managerial function because it is concerned with the selection of the persons who are properly qualified and mentally well adjusted to the situations.

3.3.4 Controlling

Controlling is related to all other management functions. It is concerned with seeing whether the activities have been or being performed in conformity with the plans. According to Haimann, "control is the process of checking to determine whether or not, proper progress is being made towards the objectives and goals and acting if necessary to correct any deviation". Koontz and O'Donell have defined controlling "as the measurement and correction of the performance of activities of subordinates in order to make sure that enterprise objectives and plans devised to attain them are being accomplished". Thus, controlling involves the following sub-functions:

a. Determination of standards for measuring work performance,
b. Measurement of actual performance,
c. Comparing actual performance with standards,
d. Finding variances between the two and reasons for variances.

Taking corrective actions to ensure attainment of objectives

Control can be implemented before an activity commences, while the activity is going on and after the activity is completed. Accordingly, controls can be of three types:

1. **Feed-Forward Control :** Feed-forward control, as the name suggests, is taken before an activity commences so that the anticipated problems are prevented. Thus, it is future directed. For example, a company may hire additional manpower as soon as the company is sanctioned some new project.
2. **Concurrent Control :** Concurrent control takes place when an activity is in progress. Direct supervision of activity is the commonly used form of concurrent control enacted while work is going on.
3. **Feedback Control :** Control implemented after the work is over is called feedback control. The major drawback of this type of control is that by the time the information is available, the damage is already caused.

3.3.5 Coordination

Some authorities consider coordination to be a separate function of the manager. It seems more accurate, however, to regard it as the essence of managership, for achieving harmony among individual efforts towards the accomplishment of group goals. Each of the managerial functions is an exercise contributing to coordination. It is the central task of the manager to reconcile differences in approach, timing, effort, or interest and to harmonize individual goals to contribute to organization goals.

A modern enterprise consists of a number of departments such as production, purchase, sales, finance, personnel, etc., and

there is need for the management to see that all the departments function in such a way that they move harmoniously towards the realization of the stated objectives of the enterprise. This function of management i.e. the harmonious blending of the activities of the different specialists and also of the different departments for the achievement of desired goals, is called desired co-ordination.

Features or Characteristics of Coordination : The above discussion indicates that co-ordination has certain characteristics. They are:

1. Co-ordination is the orderly arrangement of group efforts.
2. It provides unity of action in pursuit of a common purpose. Unity of action is considered to be the heart of the co-ordination process.
3. It aims at achieving the common purpose of the enterprise through the orderly synchronization of the efforts of the sub-ordinates.
4. It is a process whereby an executive develops an orderly pattern of group efforts for accomplishing the common objectives of the enterprise.
5. The task of co-ordination is a managerial responsibility; co-ordination can be made effective only if an executive makes conscious efforts.
6. It is a continuous process.



CHECK YOUR PROGRESS

Q 2: Write true or false for the following sentences:

i) In top-down approach, authority and responsibility for planning is centralized at the top. (T/F)

ii) Long range planning is uncommon in stable industries. (T/F)

iii) Staffing involves grouping the activities in a logical pattern. (T/F)

iv) Feed forward control is taken to prevent the problem. (T/F)

v) Co-ordination is the orderly arrangement of group efforts. (T/F)

3.4 MANAGERIAL SKILLS

Management jobs are different from other jobs. It involves the obligation to make prudent use of human and material resources. It requires sound judgment to handle complex situations. Further, the nature of the job becomes increasingly complex at each higher level because of the increase in the scope of authority and responsibility. Therefore, each higher level requires increased knowledge, broader perspective and greater skills.

For purpose of analysis, skills required of any manager are classified under three different heads– technical, human (employee relations skill) and conceptual skill as shown in figure 3.1. The exhibit helps in understanding the levels of management responsibilities, the principal skill requirements, and the extent to which each kind of skill is required at each level.

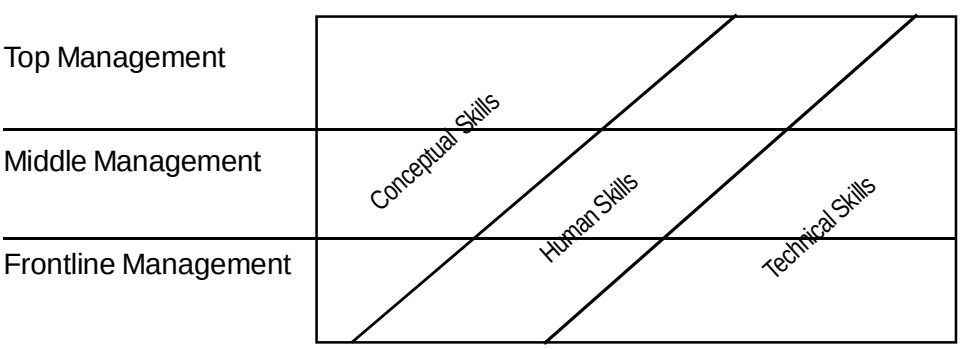


Fig. 3.1 : Management skills at various levels

1. **Technical Skills :** Technical skills refer to the ability to use the tools, equipments, procedures, techniques and knowledge of a specialized field, the activity to use specific knowledge, methods, and techniques in performing work. It is primarily concerned with the ways of doing the things. It implies proficiency in a specific field of activity. Technical skills are most important for the lower level managers, because by nature their job involves supervision of the workers.

   Effective supervision and coordination of the work of the subordinates,

therefore, depends on the technical skill possessed by the lower level managers, any supervisor without a sound knowledge of the job cannot make an effective supervision. The relative importance of the technical skills as compared to the other skills diminishes one move up to higher level of management. Thus, the President of an oil company does not need to know much of the technical details of drilling for oil or how to refine it.

2. **Human Skills :** The human skill is the ability to understand, motivate and get along with other people. This skill is essential at every level of management within the organization, but is particularly important at lower levels of management where the supervisor has frequent contact with operating personnel.

   Human skills are primarily concerned with persons, as contrasted with "things". When a man is highly skilled in employee relations, he is aware of attitudes, assumptions and beliefs and recognizes their limitations as well as their usefulness. He accepts, as an important fact of life, the existence of viewpoints and feelings, different from his own. Thus, human skill refers to that ability of the manager to work effectively as a group member and to build cooperative effort in the team he leads. It is the ability to work with, understand and motivate people. He understands why people behave as they do and is able to make his own behaviour understandable to them. He can foresee their reactions to possible courses of actions and, is able to take their attitudes into account. His skill in working with others is natural and continuous. He does not apply it in random or in inconsistent fashion. It is a natural ingredient of his every action.

3. **Conceptual Skills :** Conceptual skills are the mental ability to coordinate and integrate the organization's interest and activities. It refers to the ability to see the "big picture".

   The conceptual skill also called design and problem-solving skill. It involves the ability–

   - To see the organization and the various components of it as a whole;

- To understand how its various parts and functions look together; and
- To foresee how changes in any one of these may affect all the others.

Conceptual skills extend to visualizing the relation of the organization to industry, to the community and to the political, economic and social forces of the nation as a whole and even to forces, which operates beyond the national boundaries. It is the creative force within the organization. A high degree of conceptual skill helps in analyzing the environment and in identifying the opportunities and threats.

The three types of skills discussed so far are not mutually exclusive. In other words, management job always requires all the three skills but in different proportion depending upon the level of management – there is a gradual shift in the emphasis from the bottom to the top of the pyramid. Technical skills and human skill are always in great demand at the lower level of management for it is there the productive processes and operations are carried out. It is there where you find most of the people. It is there where the action takes place. The need for conceptual skill is more at the top level of management.



CHECK YOUR PROGRESS

Q 3: Name the three levels of management.

.....

Q 4: Match the following :

a) Middle Level management	x) Technical Skills
b) Lower Level Management	y) Conceptual Skills
c) Top Level Management	z) Human Skills

Q 5: Fill in the blanks :

a) Conceptual skills are the ..... to coordinate and ..... the organization's interest and activities.

b) In the top level management, managers are responsible for the overall ..... of an organization.

c) In lower level management, the jobs at this level are the ..... into management profession.

d) The human skill is the ability to .....and get along with other people.

3.5 INDIAN MANAGEMENT STYLE AND TRADITION

If there can be British style in management, American style or Japanese style, then why not an Indian style of management. Or to be more specific: is there any Indian style of management ?

When looked in a larger perspective, the traditional Rajasthani carpenters, Gujarati women's skill at handicraft, the wood-carvers of Karnataka show remarkable excellence in their work and production. The Moradabad brassware workers are exporting their products though they do not know the modern concepts like Quality Circle (QC), Total Quality Management (TQM), and ISO-9000. Then how are they doing this, Lijjat Papard, run by Indian women, or the Udupi Hotels, are other examples. In management, production, motivation, services, etc., they are showing their excellence. Unfortunately, in industry or management we do not give much importance to these examples in our textbooks. And thus we miss the salient features of Indian style of management.

We will rarely find an MBA in the above cases. We call this Indian ethos, as the true spirit of indigenous management techniques which is expressed in the above cases- by the Indian supervisors and workers. There is excellence in India, and it is better to recognize this hard fact.

We noticed this excellence, searched for indigenous style of management, and then incorporated the concepts of Vedanta and Yoga to give this a shape. Side by side we experimented with this technique in modern industries, both public and private sector companies, got the feedback, evaluated, and thus a model evolved, the system was perfected.

We call this, Indian ethos in management because; first we learnt this method from the common Indian workers- farmers, carpenters, grocers, artisans, and above all Indian women. And secondly, the Vedantic concepts and Yoga practices were incorporated.

This technique – Indian ethos in management – was applied and discussed in many companies, and the result was very encouraging. More and more management consultants and teachers are joining this movement and more and more companies are showing keen interest in this.

Because of its spirituality, long term and Holistic vision, Indian thought has made a tremendous contribution to the world over thousand of years, today, for some reasons India is no longer in the fore-front and the people seem to have lost pride in being Indians, forgetting the history of India as a land of wealth, prosperity and spirituality, to which have flocked people from all over the world, to share in its glory.



3.6 LET US SUM UP

In this unit, we have learnt about different functions of management-planning, organizing, staffing, control and coordination.

- Planning is concerned with the determination of objectives to be achieved and the action to be taken to achieve them. Organizing involves bringing together the manpower and material resources for the achievement of objectives. Staffing involves manning the organizational structure through proper selection, appraisal and development of personnel to fit the roles designed into the structure. Directing is concerned with actuating the members of the organization to work efficiently for attaining the organizational goals. Controlling is concerned with seeing whether the activities have been or being performed in conformity with the plans.
- A manager has to perform managerial functions irrespective of the position in which he is placed. But the mix of management functions which are to be performed by a manager would depend on the organizational level, viz, top, middle or lower level, at which he is working.

There are signs that business is moving towards a unified, global theory of management. The practice of management and global competitiveness is driven by the new technology. Visionary managers are needed to provide direction to the increasingly multi-cultural workforce that responds quickly to the customers that demand low-cost quality products and services.



3.7 FURTHER READINGS

1) Drucker, Peter F., (1993) *'Practice of Management'*, Allied Publications, New Delhi.

2) Koontz, Harold and Weihrich, Heinz (2007), *'Essential of Management'*, Tata McGraw Hills, New Delhi.

3) Rao, V. S. P. and Hari Krishna, V., (2005) *'Management : Text and Cases'*, Excel Books, New Delhi.

4) Robbins, Stephen P., Judge, Timothy A. (2008) *'Organizational Behavior'*, Prentice Hall, Delhi.



3.8 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Long range planning includes vision, mission etc. Short range planning include market plans, production plans.

Ans to Q No 2: i) true, ii) false, iii) false, iv) true, v) true.

Ans to Q No 3: 1) Top Level management

2) Middle Level Management

3) Frontline or Lower Level Management

Ans to Q No 4: a) z), b) x), c) y)

Ans to Q No 5: a) mental ability, Integrate

b) direction and operation

c) entry-level positions

d) understand, motivate



3.9 MODEL QUESTIONS

Q 1: Define the concept of planning. Discuss the process of planning.

Q 2: What is coordination? Explain the various principles of coordination.

Q 3: What does controlling mean. Explain in details the various steps in controlling process.

Q 4: What is Indian ethos in management

Q 5: Discuss the proper managerial skills necessary at various levels of management.

*** ***** ***

UNIT 4: PLANNING

UNIT STRUCTURE

4.1 Learning Objectives

4.2 Introduction

4.3 Meaning and features of Planning

- 4.3.1 Meaning of Planning
- 4.3.2 Features of Planning

4.4 Importance of Planning

4.5 Types of Plans

4.6 Steps in Planning Process

4.7 Limitations of Planning

4.8 Terms used in Planning Process

4.9 Let Us Sum Up

4.10 Further Reading

4.11 Answers to Check Your Progress

4.12 Model Questions

4.1 LEARNING OBJECTIVES

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

- discuss the meaning and features of planning
- explain the importance of planning in a business organisation
- describe the different types of plans
- discuss the steps involved in planning process
- analyse the limitations of planning
- discuss the different terms used in the planning process.

4.2 INTRODUCTION

As discussed earlier, we have come to know that planning is the primary function of management. Any business organization has to function and survive in the dynamic environment where change is constant. Planning involves the determination and achievement of objectives.

We use the word 'plan' so often in our daily life. In our day to day life we arrange our activities according to some plan. We decide on what we have to do tomorrow or day after tomorrow or in the next three months or for the year. This is nothing but the plan according to which we perform our activities systematically. We have to be cautious so that no important activity is left out from this plan. Therefore, we all agree that planning is very important in our life.

Now, let us consider the case of a business organization. A business organization has to perform a number of activities ranging from production, marketing, financing etc. To perform these activities smoothly, it must arrange the activities properly. It means, it must have a plan to carry out these activities. Thus, just as in life, planning is also important for business organizations. We are going to discuss planning in this unit. In our discussion we will take into account the concept of planning, its importance, steps involved in formulation of a plan etc. Besides, you will also be familiarised with certain terms like, objectives, strategies, budgets etc.

This unit will help you in understanding the planning function of management. You will be able to prepare plans, as we will discuss in the unit, the steps involved in the preparation of plans.

4.3 MEANING AND FEATURES OF PLANNING

In the earlier unit (Unit- 3) we have discussed the functions of management- planning, organizing, staffing, directing and controlling. In this unit we will fully concentrate on the planning function of management. Let us first discuss the meaning and features of planning

4.3.1 Meaning of Planning

Planning is the first management function. It is concerned with deciding in advance what has to be done in future. Therefore, it is the process of determining the objectives and deciding the strategies to achieve the objectives. It links up the ends and means, present and the future. Planning is the continuous process of

analyzing the business environment, setting the objectives, deciding on the alternative courses of action and selecting the best alternative to achieve the pre- determined objectives.

Planning is mainly concerned with, what, how, who, where and when-

- What is to be done?
- How is it to be done?
- Who will do it?
- Where will it be done?
- At what time will it be done?

4.3.2 Features of Planning

The main features of planning are-

- **Primacy of Planning:** Planning is the first management function on which the other functions of management are based. In the absence of planning, a manager cannot organize, direct and control the activities of the organization. Therefore, without planning an organization cannot achieve its objectives.
- **Focus on Objectives:** A plan emphasises the achievement of objectives. The plan sets the objectives considering the prevailing conditions in the environment and considers the different alternative actions to achieve them and ultimately selecting the best alternative to achieve them.
- **Pervasiveness of Planning:** We are aware that there are three levels of management- Top, Middle and Lower, as discussed in Unit 3. The manager in each level has to perform the planning function. The top manager is concerned with the formulation of plans for the whole organization, the middle level manager is concerned with the formulation of plan for his department and the lower level manager formulates plans related to the day to day operations of the firm. The scope of the planning function differs from level to level but it extends throughout the organization.

- **Coordination:** Coordination means interrelating the different sub- systems or sub- functions into an integrated approach. In an organization, planning facilitates the coordination of all the activities which are necessary to achieve the organizational objectives. Planning helps the manager in directing and coordinating the activities of the organization.
- **Flexibility:** Planning is based on future expectation. Future is uncertain and full of risks. Under these situations, a plan must be flexible enough to adapt itself to any change which may occur in the future and the manager may not have any prior information about this change. A rigid plan can not serve the real purpose of the organization for which it is being formulated.



CHECK YOUR PROGRESS

Q 1: State whether the following statements are true or false-

i) Planning is not a function of management.

ii) Planning is not concerned with the future.

iii) Planning focuses on objectives.

iv) Middle level managers are not concerned with formulation of plans.

v) Planning helps in coordination of functions of the organization.

Q 2: State two features of planning.

i) .....

ii) .....

4.4 IMPORTANCE OF PLANNING

In this section, we shall discuss with the importance of planning. Planning is important in all organizations be it small or large, private or public. The importance of planning may be discussed as under-

- **Planning is important for direction:** Planning is important for future direction. An organization always has a vision and mission and to

accomplish that vision and mission it should follow direction to achieve the goals. Thus, planning helps in achieving these goals through short or long term planning.

- **Primacy of planning:** Planning is the first managerial function. It involves determining the organizational objectives, selecting the best course of action to achieve these objectives, preparing departmental plans for coordinating all the activities etc. Hence, other managerial functions such as organizing, staffing, directing and controlling can be performed depending on the planning function. For example, if an organization sets its objective of increasing the sales volume from 10% to 15% in the coming six months, then it has to recruit additional sales force. This affects the staffing function and accordingly the new sales force has to be guided i.e. directing function.
- **Planning helps in achievement of objectives:** There can be no organization without objectives. Objectives are the end results which an organization wants to achieve like, increase in sales volume, expanding the business into new geographical areas etc. To achieve theses objectives, the organization has to move forward systematically i.e. the organization has to formulate plans.
- **Minimizing the impact of risks and uncertainties:** All business organizations face the problem of risks and uncertainties. The business manager must forecast the future events that are likely to influence the business. Planning helps him in forecasting the future events and thereby to minimize the adverse effects on business.
- **Planning helps in coordination:** A business organization performs a number of activities. For the performance of these activities, large numbers of employees are appointed. Moreover, the activities performed by the individual employees have to be coordinated to achieve the organizational objectives. Coordination can be achieved only through effective planning.
- **Basis of control:** The controlling function of management is concerned with comparing the actual results against the standards i.e. the objectives stated at the planning stage. If there is any deviation,

corrective action can be taken at the earliest. So planning provides the basis for controlling the activities of the organization.

- **Provides competitive advantage:** Planning is a systematic activity. It is prepared by taking into account the various internal and external factors of the organisation. Therefore, the organization gains an insight into the events that are likely to possess opportunities or threats for the organization. Therefore, the organization can take necessary steps to face the situation and acquire a competitive advantage over other organisations.



ACTIVITY 4.1

"Planning is not important for small organizations". Do you agree with the statement? Give reasons for your answer.

.....

.....

.....

.....

4.5 TYPES OF PLANS

Depending on the organizational activities, time factor etc. there can be different types of planning. Let us discuss the different types of plans-

- **Corporate planning:** This type of planning is done by the top level of the organization. They formulate the plan for the whole organization considering all the relevant environmental as well as internal factors of the organisation. They forecast the likely changes in environmental factors that may influence the activities of the organization. They determine the long- term objectives of the organizations which may cover a period of 3 to 5 years.
- **Functional planning:** It is a plan for the major functions of the organization. It is formulated within the purview of corporate planning. It is undertaken at the middle level of the organization. For example, in case of a manufacturing organization undertaking various activities

like production, marketing, finance, human resource etc., functional planning is undertaken for each of these activities and the corporate plan of the organisation will cover all these activities. Moreover, the functional planning can also be formulated by dividing the major organizational activities further. For example, marketing function can further be divided into sales, advertising, marketing research etc. and functional planning can be done for each individual activity within the marketing function. This type of planning covers short period of time ranging from 1 to 2 years.

- **Operational planning:** Operational planning is undertaken for the day to day functioning of the organization. Operational planning translates the functional planning into specific goals. It is undertaken at the lower level of the organization and covers a period of 12 months or less.

Let us go through the following table for understanding the differences among these three types of plans-

Points of difference	**Corporate Planning**	**Functional Planning**	**Operational Planning**
1. Scope	**Broadest**- covers all activities of the organization.	**Narrower**- covers only the functional areas.	**Narrowest**- covers only the operational activities.
2. Time factor	**Longest**: 3- 5 years	**Shorter**: 1- 2 years	**Shortest**: 12 months or less.
3. Nature	Most complex as it covers both **external and internal factors**.	Less complex but specific as it covers only **specific type of activity**.	Least complex as it covers **day to day activities**.
4. Level of Management involved	**Top level**	**Middle level**	**Lower level**
5. Dependence	It depends on **business environment** and internal resources.	It is prepared on the basis of **corporate plan**.	It is prepared on the basis of **functional plan**.

Table4.1: Differences between corporate, functional and operational plans



CHECK YOUR PROGRESS

Q 3: Fill in the blanks-

i) Corporate planning is formulated by the ……. level of management.

ii) Functional planning is undertaken for the …….. of the organization.

iii) Corporate planning is ……. in nature.

iv) Functional planning is prepared on the basis of …… ……. planning.

v) Functional planning provides the basis for ……. planning.

Q 4: State two points of differences between corporate and functional planning.

i) .....

.....

ii) .....

.....

4.6 STEPS IN PLANNING PROCESS

Planning involves thinking. It requires the manager to follow certain steps systematically to formulate the plan. In this section we will discuss the steps involved in the planning process.

Following are the steps in planning process:

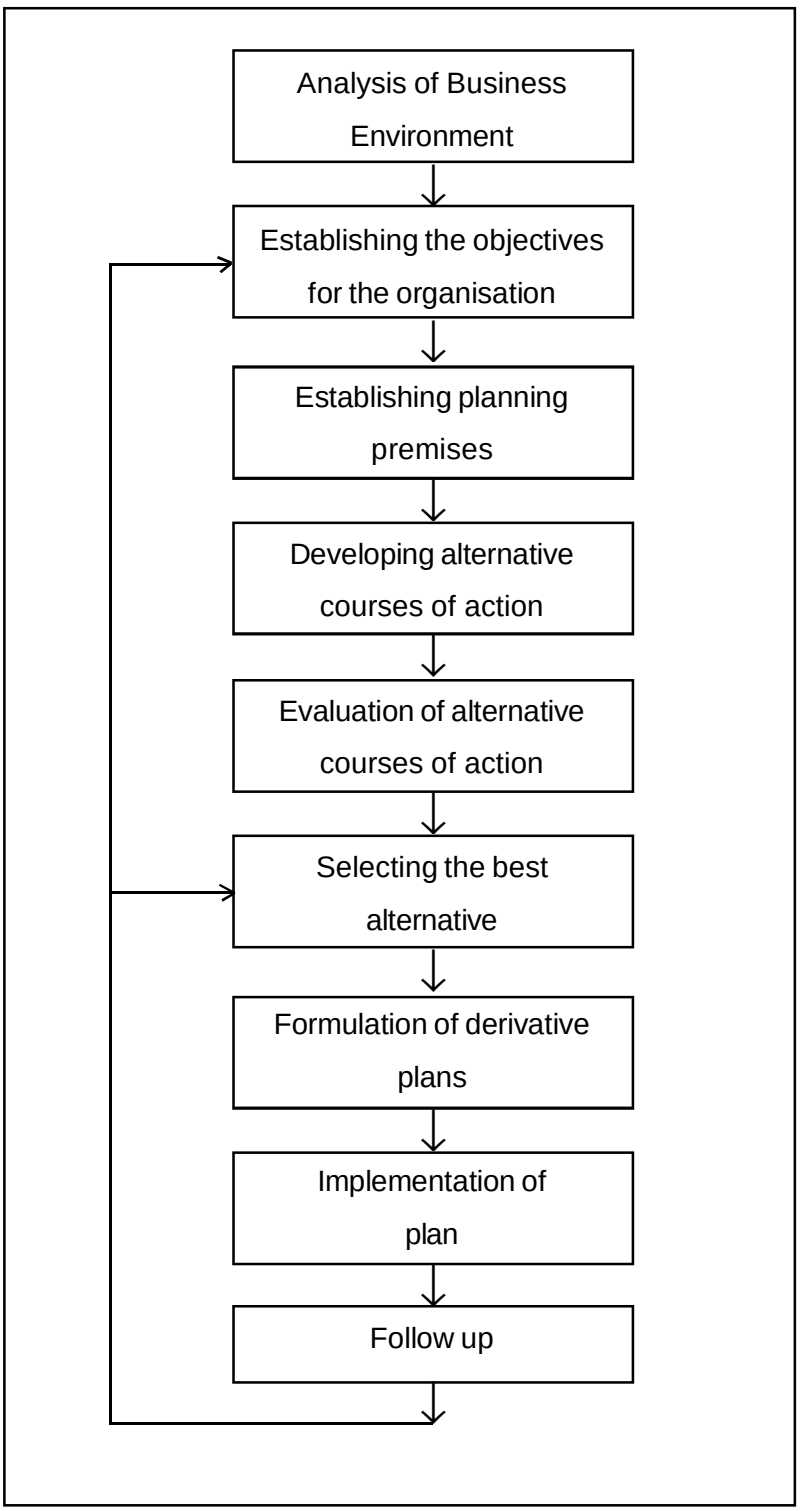


Figure 4.1: Steps in planning process

Now let us discuss the steps of planning process in detail.

- **Analysing the business environment:** An organization resorts to planning process to face the business challenges and to take the advantages of opportunities that may exist in business environment. Therefore, analysis of the environment is utmost important for organization. Though in strict sense it is not a step in planning process, without environmental analysis the organization will not be able to perceive any opportunities and it can not undertake any plan. So, it is essential to analyse the environment to forecast the opportunities and threats for the organization. At the same time, the organization will be able to measure its strengths and weaknesses in the light of the opportunities and threats.
- **Establishing the objectives for the organization:** In this step the objectives for the organization are established and then the objectives for the major departments are set. The objectives may relate to productivity, profitability, market share, market research etc. Objectives give direction to the organization. It helps in determining the courses of action to be taken for achieving such objectives. An organization may have multiple objectives and the manager must determine the preference for achieving the objectives. This is because all the objectives are not equally important and cannot be achieved at the same time.
- **Establishing planning premises:** The next step in the planning process is to establish the 'planning premises'. 'Planning premises' means the conditions under which the organization will implement the planning. This relates to assumptions of future changes in the various internal and external factors of the organization. Internal factors include the resources, policies etc. of the organization. The external factors cover various factors like, political, social, technological etc. This stage is important because any wrong assumption may result in failure of the plan.
- **Developing alternative courses of action:** There may be different ways to achieve the objectives by the organization. For example, if the

organization establishes one of its objectives as expansion of business, then the probable alternatives available to the organization are investing in an altogether new project, taking over an existing company, adding new products to its product line etc. Thus, in this step the manager has to develop the alternative courses of action to achieve the objectives. In developing the alternatives the manager must ensure that the alternatives must be selected on the basis of the capacity of the organization in terms of certain criteria like, time, cost etc. This will help the manager in selecting only the viable alternatives in the light of the organizational capabilities and taking up the alternatives for further investigation.

- **Evaluation of alternative courses of action:** After developing the viable alternatives, the manager must go for the detailed evaluation of the alternatives. The detailed evaluation will help the manager in choosing the best alternative among them. The evaluation of alternatives may reveal that two or more alternatives are same. In that case, the manager may take up the alternative projects one by one or may go for further evaluation of the alternatives or may take up the evaluation of new alternatives.
- **Selecting the best alternative:** In this step, the manager has to take the decision regarding the selection of the best alternative out of the alternatives evaluated.
- **Formulation of derivative plans:** After the formulation of the basic plan, the derivative plans are prepared to support the basic plan in achieving the organizational objectives. The derivative plans are prepared for the functional activities which may relate to purchasing the raw- materials, recruiting the salesmen, raising the required capital etc. Theses plans are prepared within the broad framework of the basic plan.
- **Implementation of plan:** At this stage, the plan practically comes into effect. The organization gets the determined course of action for the future. Preparing the plan step by step ensures its success. But the manager must be cautious because the plan may fail at the

implementation stage. For ensuring success of the plan, the plan must be communicated to the employees. The manager must seek their cooperation in implementing the plan. Those who are responsible for taking various actions for the plan must be informed and motivated.

- **Follow up:** The implementation of plan does not mean the ending of the process. In fact, the planning process is a never ending process. The manager must make periodic review of the main and derivative plans. This will ensure that the plan is being properly implemented in the organization and the resources are directed in the desired direction. The results of follow- up action may require changing the derivative plans or the objectives stated in the plan. Therefore, the plan can be adjusted for any unexpected change in the environmental factors at the earliest.



CHECK YOUR PROGRESS

Q 5: State whether the following statements are true or false-

i. Environmental analysis is not important in planning process.
ii. Setting the objectives gives direction to the organization.
iii. Evaluation of alternatives is not a step in the planning process.
iv. Communication with employees is important to ensure success of the plan.
v. Derivative plans do not support the basic plan.

Q 6: What do you mean by planning premises?

.....

.....

.....



ACTIVITY 4.2

Prepare a plan for the coming 3 months to carry out your studies.

4.7 LIMITATIONS OF PLANNING

From the above discussion it is clear that planning is important for all organizations. Planning gives an added advantage to the organizations to face the future challenges. It helps an organization in its survival and growth. Besides that the organization can properly utilize its resources be it raw- materials, finance or human resources etc. and can direct the organization in the desired direction.

But despite these advantages, planning is not without limitations. These limitations may hamper the effectiveness of planning in directing the organization. In this section we will discuss the various limitations of planning-

- **Difficulty in accurate forecasting:** Planning is concerned with determining the future course of action. It requires forecasting the future events. But it is difficult to make accurate forecast of the future events. Any unexpected change in environmental factors may result in failure of the planning effort which will adversely affect the organizational efficiency.
- **Fast changing environment:** The business environment, now a day, is characterized by fast changes. The economic, political, technological factors etc. undergo changes quite frequently and it is not easy to keep track of these changes. Under this situation, it is difficult to formulate long- range planning.
- **Rigid organizational policies:** Considering the nature of business environment, the planning process has to be flexible. Moreover, the organizational policies, procedures etc. have also to be flexible to implement the plans. But the organizational policies, procedures etc., once established, are difficult to change and they may stand as constraints in the planning process.
- **Inaccurate information:** Planning is prepared on the basis of information collected from various sources like records of previous year, governmental statistics etc. As the information relates to the past, they may not be relevant for the task of formulating plans. Moreover, any inaccurate data may result in wrong assumption which will make

the planning process ineffective.

- **Time and Cost factors:** Preparation of plan is quite time consuming. The managers have to devote their time in forecasting the future changes, evaluating the alternatives, preparing the sub plans etc. As a result, other important aspects of the organization may be overlooked. Besides this, planning is a costly affair. The additional cost of staff recruited for planning purposes etc. will increase the cost for the organization.

There is no doubt that planning plays a very important role in enhancing the efficiency of an organization. The organization can prepare itself to face the future challenges in business. At the same time, planning has some limitations. But if the planning process is undertaken in a proper way, it proves beneficial for the organisation.



CHECK YOUR PROGRESS 4

Q 7: State two limitations of planning.

i) .....

ii) .....

4.8 TERMS USED IN PLANNING PROCESS

Now you are aware about the different aspects of planning- features, importance, limitations, and process of planning etc. In this section we will discuss some terms that are used very commonly while preparing the plans.

Objectives: Objectives are the end results which an organization wants to achieve. It provides the scope for organisational activities and sets the direction for the organization. It guides the organization in formulation of plans and relates the organization with the external environment. It provides the basis for other managerial activities like, organizing, directing and controlling. Depending on the time factor, objectives may be of short- term and long- term. Objectives may also differ depending upon the nature of the oganisations. An organization may have multiple objectives depending on its varied activities.

Strategies: It is the plan of action to achieve the organisational

objectives. The strategies are the ways to meet the challenges which may occur due to changes in environmental factors. While determining the strategies, the organization takes into account its internal resource position to face the business challenges. It states '**how'** the objectives will be achieved.

Policies: Policies are the general statements which guide the managers in decision- making. Policies set the broad outlines within which the managers can make decisions. Policies are not the solution to problems but the predetermined guidelines to solve an issue in a definite area. It helps the managers in decision- making for similar type of problems. Moreover, managers can delegate authority to subordinates and the policies help the manager in maintaining control over the subordinates. In other words, managers must ensure that the decision should conform to the policy framework.

The distinctions between objectives and policies may be stated as under:

Points of Difference	Objectives	Policies
1. Time limit	Objectives are time specific.	Policies are not time specific.
2. Purpose	Objectives are set to achieve.	Policies are the guidelines in achieving the objectives.
3. Focus	It focuses on end results.	It focuses on the ways to achieve the objectives.

The distinctions between policies and strategies may be stated as under:

Points of Difference	Policies	Strategies
1. Scope	Policies may be formulated for the organization or for individual departments.	Strategies are formulated for the organisation.
2. Purpose	Policies deal with specific problems.	Strategies deal with environmental forces.
3. Focus	Policies are general statements.	Strategies focus on the achievements of objectives.

Procedure: Procedure means a set of sequential steps to complete a particular task. It specifies the task and the steps required to be taken to perform that task. Generally time element is attached to the different steps and once the procedure is set, it can be used for routine type of activities in the organization. For example, the organization can determine the procedure for handling the customers' complaints. The managers at different levels can set the steps to be followed by the subordinates for performing the different activities. Laying down the procedure for various activities of the organization ensures that all these activities are performed systematically. It helps in the smooth operation of the organization.

Points of Difference	Policies	Procedure
1. Scope	Policies are flexible and managers can take decisions within the policy framework.	Procedures provide little scope for flexibility.
2. Nature	It guides decision-making.	It guides action.
3. Managerial level involved	Policies are determined at the top level of the management	Procedures are set at the lower level of management.

Programme: It is the plan of work to be done. It is the set of strategies, policies, procedures etc. to achieve the objectives of the organization. It is supported by budgets. It is the broader outline to determine how the activities will be undertaken. The organization may undertake some major programmes, like expansion of business, or it may be a minor one undertaken at departmental level, like training programme for the new executives.

Budget: Budget is the statement which contains the expected results of an organization in numerical terms. It is prepared for a definite period of time. It means the results expected have to be achieved within the definite time period. Budgets may be prepared for income, expenditure, production, machine hours etc. Budgets set the standard for performance and actual performance can be measured against the standard. Therefore, it acts as a controlling device.



CHECK YOUR PROGRESS 5

Q 8: Fill in the blanks-

i) Objectives are ..... specific.

ii) ..... guidelines in achieving objectives.

iii) Procedure guides .....

iv) Strategies deal with ..... forces.

v) Budgets are prepared in..... terms.



4.9 LET US SUM UP

In this unit we have discussed the following aspects of planning-

- Planning is a continuous process.
- It is concerned with what will be done, who will do it, how it will be done etc.
- The various features of planning like, it focuses on objectives, pervasiveness of planning, flexibility etc.
- Planning is important because it helps in achieving the objectives, minimizes the impact of risks and uncertainties, provides the basis for control etc.
- Corporate plans are prepared by the top management for a long period of time ranging from 3 to 5 years.
- Functional planning is prepared by the middle level managers for a period covering a period of 1 to 2 years.
- Operational plans are prepared by the lower level management for day to day activities.
- The steps in the planning process.
- The limitations of planning like, Difficulty in accurate forecasting, rigid organizational policies etc.
- Different terms used in planning process like, objectives, strategies, policies, budgets etc.



4.10 FURTHER READING

1) Drucker, Peter F., (1993) *'Practice of Management'*, Allied Publications, New Delhi.

2) Koontz, Harold and Weihrich, Heinz, (2007) *'Essential of Management'*, Tata McGraw Hills, New Delhi.

3) Rao, V. S. P. and Hari Krishna, V., (2005) *'Management : Text and Cases'*, Excel Books, New Delhi.

4) Robbins, Stephen P., Judge, Timothy A. (2008) *'Organizational Behavior'*, Prentice Hall, Delhi.



4.11 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: i) False ii) False
iii) True iv) False v) True

Ans to Q No 2: i) Focus on Objectives
ii) Primacy of Planning

Ans to Q No 3: i) top ii) functions
iii) complex iv) corporate v) operational

Ans to Q No 4:

i) Corporate planning is prepared by the top management.
Functional planning is prepared by the middle management.

ii) Corporate planning is prepared for a longer period.
Functional planning is prepared for a shorter period.

Ans to Q No 5: i) False ii) True
iii) False iv) True v) False

Ans to Q No 6: Planning premises means the assumptions under which the organization will implement the plan. It relates to the conditions of

business environment. Any change in the premises may make the plan ineffective.

Ans to Q No 7: i) Difficulty in accurate forecasting.

ii) Fast changing environment.

Ans to Q No 8:

i) time

ii) Policies

iii) action

iv) environmental

v) numerical



4.12 MODEL QUESTIONS

Q 1: Define planning. Discuss its features.

Q 2: Discuss the importance of planning.

Q 3: Discuss the planning process.

Q 4: Differentiate between Functional planning and Operational planning.

Q 5: Write short note:

i) Policy

ii) Strategy

iii) Pervasiveness of planning.

*** ***** ***

UNIT 5: ORGANISING

UNIT STRUCTURE

5.1 Learning objectives

5.2 Introduction

5.3 Meaning of Organising

5.4 Importance of Organising

5.5 Principles of Organisation

5.6 Different types of Organisational Structure

5.7 Let Us Sum Up

5.8 Further Reading

5.9 Answers To Check Your Progress

5.10 Model Questions

5.1 LEARNING OBJECTIVES

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

- explain the meaning of organising
- explain the importance of organising
- explain different types of organisational structure.
- describe the merits and demerits of different types of organisational structure.

5.2 INTRODUCTION

In the previous units you have learnt the basic concept of functions of management i.e. Planning, Organising, Staffing, Directing and Controlling. In the last unit, the first of its function viz., planning is explained thoroughly. This enables you knowhow to decide the future course of action. The first function, planning is concerned with thinking process.

In this unit you will learn how to arrange the various resources including employees in an institution or organisation to get the expected results. Often you may come across the term 'Organising' in your daily life such as organising a conference, a meeting, a picnic, a get together, a

marriage party etc. Organising aims to co-relate people to each other and enable them to work together for a common purpose. The organised group of people in a collective sense is known as organisation. Here you will learn the meaning, importance, principles and other related aspects of organising.

You must have observed the various functions organised in your locality or city by various institutions to organisations. You may have noticed that they have applied various processes for doing so. It is therefore, best for you to understand the term organising first.

5.3 MEANING OF ORGANISING

The term 'organising' means systematic arrangement of activities. It refers to the method in which the work of a group of people is arranged and distributed among them to achieve the desired objectives of an organisation. Organising is bringing together various resources (physical, financial and human) and establishing relationship among the resources for achieving common objectives.

Thus, organising is the process of establishing orderly uses for all the resources available. The primary focus of organising is determining both what individual employees will do in an organisation and how their individual efforts should be combined for attaining the specific objectives.

The term 'organising' is not same as the term 'organisation' Organising is a function of management where asorganisation refers to a group of people who are working together to ahieve some common objectives.

As a management function, the term 'organising' refers to the process of -

a. bringing together human and non- human resources (e.g materials, machines, money, men), and
b. defining and establishing the authority, responsibility and relationships for achieving the objectives.

Thus, organisation is the result of the organising process.

Louis. A. Allen states "Organising is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority, establishing relationships for the puspose of enabling people

to work together most effectively in accomplishing objectives."

Koontz and O' Dounelldefine Organising as "the establishment of authority relationships with the provision for co-ordination between them both vertically and horizontally in the enterprise"

A study of the above definitions shows that organising involves in :

a) identifing and grouping of work,

b) defining the responsibility,

c) delegating authority,

d) establishing of structural relationship and

e) co-ordinating interrelated activities.

5.4 IMPORTANCE OF ORGANISING

The Organising function is extremely important in management process as it is the primary mechanism in the hands of managers to organise the plans. Organising creates and maintains relationship between all organisational resources by indicating which resources are to be used for specified activities and when, where, and how they are to be used. A thorough organising effort helps managers to reduce the possibility of duplication of efforts and also idle or unutilised resources.

The importance of organising is briefly explained below:

1. **Organising increases managerial efficiency** as it avoids delays, duplication or confusion in performance and removes friction or rivalry among employees. All activities are spelled out in order of their importance and are alloted to individuals as fixed duties. The assignment of fixed duties provides certainty and promptness in the doing of the work without any hassle.
2. **It Promotes specilisation :** The detailed job specifications help to place the right persons in the right jobs on the basis of their knowledge, skill and experience. By matching jobs with individuals and vice-verse, organisation enlists both the benefits of functional and occupational specialisation.
3. **It ensures flow of activities:**Organisation structures are developed on scientific management basis (i.e. time, motion and fatigue study)

to ensure logical flow of activities. Through the study of scientific management the activities and assignments are arranged in such a manner that it facilitates their performance in an easy and comfortable manner.

4. **It clarifies authority and power:** The process oforganising clarifies the authority of management of the different departments. This minimises the conflict and confusion about the powers of managers.
5. **It acts as a source of support, security and satisfaction:** It provides a definite status, position in relation to others within the organisation.
6. **It ensures better communication:**Organisation structure provides a network of relationships. This makes interactionand communicationamong the members and departments of the organization more effective.
7. **It stimulates creative and innovative thinking:** Identified areas of work and delegation of authority promote creativity and innovativeness among the employees in their respective fields as well as in the organisation as a whole.
8. **It helps in the smooth delegation of authority:** Executive can delegate the authority downwards so that they can get the things done smoothly. It also helps in fixing up the responsibility for the task. A good organisation will clearly define the authority-responsibility relationship.
9. **It provides scope for training and development:** Management personnel are trained to acquire a wide and varied knowledge and experience in diverse activities by their placement in different jobs through job rotation and thus they are prepared for higher responsibilities which require generalists rather than specialists. For example if bumper crop production is the objective, the organising process can be divided into major tasks such as tilling, planting, fertilisation, watering, allocating resources like equipment and manpower etc.



CHECK YOUR PROGRESS

Q 1: What is organising? (Answer within 30 words)

.....

.....

Q 2: Discuss the importance of organising. (Answer within 50 words)

.....

.....

5.5 PRINCIPLES OF ORGANIZATION

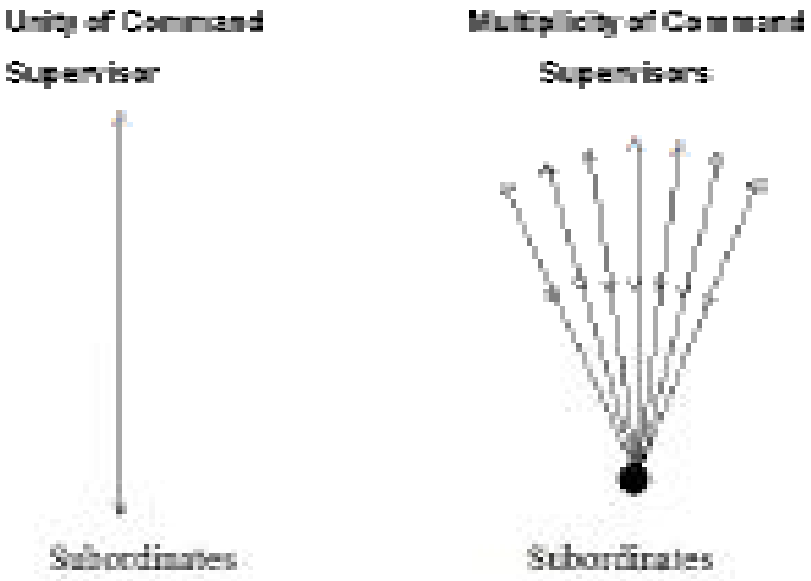
The principles of organisation are the guidelines to build a sound organisation. The management thinkers such as **Henry Fayol, F.W Tayeor, L.F. Urwick** have suggested various principles of organisation. Some of these principles are explained below:

1. **Unity of Objectives:** An organisation is a mechanism to accomplish certain objectives. The principles of unity of objectives state that every part of the organisation should pull together to accomplish those predetemined objectives. If there is no common aim and the various departments set up their own objectives then there is a possibility of conflicting objectives for different departments.
2. **Division of Labour:** According to this principle, the entire work in the organisation should be divided into specific jobs and each specific job should be given to a specific individual. Such specilialisation brings about internal economies in the business such as increase in productivity and quality. Over specilisation must be avoided because it may result in loss of motivation among the personnel when the jobs become motonous and boring.
3. **Principles of Unity of Command:** According to this principle, a subordinate should receive order from one superior only and should be accountable to that superior from with he receives order. In other words, every employee should have only one boss.

The objectives of unity of command principle are as follows:

a) to avoid conflict among supervisors regarding who should give the instructions.

b) to avoid confusion among subordinates regarding whose instructions should be followed,



4. **Principle of Span of control:** It is also known as 'Span of Management' or 'span of supervision'. It refers to the number of subordinates which a manager can effectively supervise. According to this principle, the number of subordinates should be limited to reasonable number so that the supervision or control becomes effective. The span of control should neither be too narrow nor too wide. An ideal span must be selected after considering the nature of work and the qualities of subordinates.

5. **Principle of Unity of Direction:** There should be one head and one plan for a group of activities having the same objectives. This principle emphasizes the importance of common goals being pursued by all in a group activity under the direction of one head. This principle helps smooth co-ordination of activities, efforts and resources.

6. **Principle of efficiency:** According to this principle, the organizational structure should enable the enterprise to attain objectives with the lowest possible cost viz; money and human resource. It advocates

for the minimum use of its human and other scarce resources

7. **Exception principle:** The principle of exception states that only exceptionally complex problems are to be referred to higher level of management and the routine problems should be decided by the subordinates themselves.
8. **Principle of Authority and Responsibility:** The person to whom responsibility for performing any duty is assigned should be given adequate authority to perform the duties. Delegation of authority is needed to perform the work effectively. Assigning responsibility without the delegation of authority is useless. Moreover, if a superior delegates his authority to his subordinate, he is not free from his responsibility, though the subordinate is also liable to his superior.
9. **Principle of Balance:**A balance should be established between different departments and sub-departments through co-ordination and co-operation. There should also be balance in the formal structure of the organization between the factors having conflicting claims, for example, between centralization and decentralization, between span of supervision and lines of communication and authority allocated to departments and personnel at various levels.
10. **Principle of Flexibility and continuity:** The principles of organising should be flexible in nature so that these can be altered and amended to cope with the current and future changes. All the activities of the organisation should be performed through a continuous process.
11. **Principle of functional definition:** This principle implies that the role of each individual and or of each department of the enterprise must be suitably defined, in terms of the work content, the authority and functions required for job performance and the relationship of the job with those of others, in the enterprise.

As regards the principles of organisation, there is no common agreement as to the number of its principles. Many authors on this subject have added a few more principles to the existing ones. Out of them, only a few have been discussed above.



CHECK YOUR PROGRESS

Q 3: What is the principle of unity of command?

.....

.....

Q 4: What is the principle of unity of direction?

.....

.....

5.6 DIFFERENT TYPES OF ORGANISATIONAL STRUCTURE

The term organisational structure explains the positions and official relationships among the various individuals working in an organisation. It simply means the systematic arrangement of people working for the organisation in order to achieve certain goals. It is the framework of authority relationship among the employees.

The structure may be of different types depending on the nature, method, process, technology and the social environment of the enterprise. The different types of the structure are given below:

1. Line organisationor line Authority.
2. Line and Staff organisation.
3. Functional organisation.
4. Committee organisation.
5. Project organisation.
6. Matrix Organisation.

Let us now discuss each of them in detail.

1. Line Organisation or Line Authority:

In this type of Structure, a senior delegates authority, power, order and instruction to his subordinate, who in turn delegates the same to another subordinate and so on, forming a line from the top to the bottom level of the organizational structure. The structure so formed is known as line structure. The direct vertical flows of authority and responsibility create superior subordinate relationship in a structural form.

Regarding the applicability of line structure in business enterprise, it may be mentioned that line structure is largely granted to those managers who are engaged in basic functions. In a manufacturing enterprise, production and marketing are treated as basic functions, and finance, personnel etc. as service functions.

The line structure is the oldest from of organisation this is also known as the 'Military Organisation' as a military organisation is formed in this fashion. The concept of line structure may be explained by means of a diagram



Figure 5.1 : Line Organisation

We will now discuss the merits and demerits of the line structure:

Merits :

a) It is simple to understand and establish.

b) It avoides the possibility of duplication of work.

c) It takes minimum time in decision -making process

d) There is unity of command i.e. a subordinate gets orders from one superior only.

e) It provides scope for better supervision and ensures greater discipline.

Demerits:

a) This types of structure increases the work loads of the key executives because they are to make all the decisions.

b) It lacks specification. The line manager is responsible for both planning and execution of the work assigned to him.

c) It is a dictatorial approach in management. Because of the Principle of unity of command, there is excess authority exercised by a manager over his subordinates.

d) For the growth and diversification of an enterprise, new supportive service departments can be formed; but line structure does not make provision for such departments.

2. Line and Staff Organisation or Structure

In order to overcome the limitations of line organisation, **Line and Staff Organisation structure** was developed. It combines the staff specialists with the line managers. Here, the specialists in specific areas assist the line managers. These specialists or experts do not have the powers to command any subordinate other than those who are under their direct control. They can only advise the line manager on certain matters. They also do not have the authority to take decision on vital issues.

It depends on the line managers to decide whether to accept the suggestion of the staff specialists or not. The staff personnel are engaged in some research work and theadvice the managers for efficient performance of the special functions. As a result, the functions of management are effectively performed.

The following diagram explains the concept of Line and Staff Organisation.

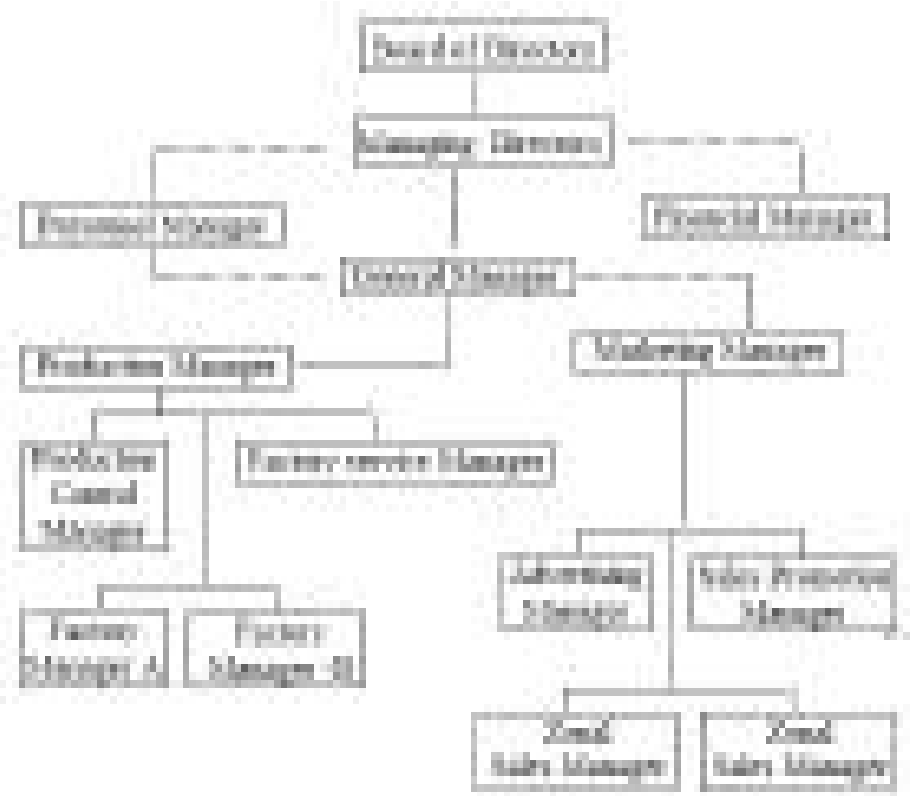


Figure 5.2: Line and Staff structure

Now, we will discuss the merits and demerits of line and staff organisations:

Merits:

a) It relieves line managers from the burden of routine and auxiliary activities. They can devote their time to important core activities.

b) The suggestions given by the staff experts enable the line executives to take better decisions.

c) The undistrubed line of command due to advisory role of the staff helps the organisation for its growth and expansion.

d) Ample opportunities for the training and development of executives exist in such an organisation.

Demerits:

a) Conflicts often arise between the line and staff executives.

b) The staff experts do not have the authority to make decisions. They can only advise. Such a position without authority exists only in an advisory nature.

c) Such a structure proves expensive because employment of staff specialists involves a huge cost.

d) Some staff specialists advise even without proper research and analysis of facts because they are not accountable for the results.



ACTIVITY

Find out the differences between line organisational structure and line and stall organisational structure.

3. Functional Organisation or Structure: In this type of structure, there will be separate departments to look after different lines of activities. F.W. Taylor is the exponent of the Functional Organisation Structure. Here, the functions are done through specialised knowledge and advice. The departments are formed on the basis of the division of work and, hence, the efficiency of production and the skills of the employees are improved. Co-ordination and co-operation are enhanced to a great extent. The subordinates receive instructions not from one superior but from several functional specialists. Thus, the subordinates are accountable to different functional specialists for the performance of different functions.

The functional organisational structure has been shown by means of a diagram.

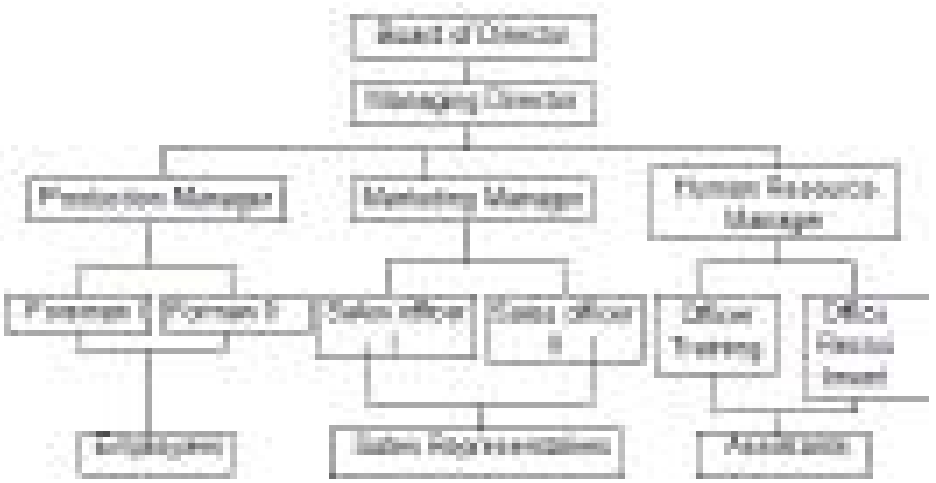


Figure 5.3: Functional Organisational Structure

Merits:

a) It promotes specialisation. Each department specialises in a particular line of work.

b) There is no overburdening of key executives.

c) There will be maximum efficiency as each individual concentrates on a particular task.

Demerits:

a) Decision making process is delayed, as major decisions require the participation of maximum number of functional heads.

b) Principle of unity of command is not generally followed because the subordinates may get instructions not only from the immediate boss but also from bosses in other departments.

c) The creation of a number of departments and divisions along with the executives and subordinates involve heavy expenditure.

4. Committee Organisation:

A Committee is a group of two or more appointed nominated or elected persons to consider, discuss, decide, recommend or report on-some issues or matters assigned to it. A number of committees may be created in an organisation depending on the requirements. A review committee for example may be constituted to review the progress of work. The committee may meet at a regular interval of periods to discuss the various matters.

The merits and demerits of committee organisations are:

Merits:

a) Better and balanced decisions can be expected as committees consider the problems from more than one point of view.

b) Effective communication can be achieved as members can easily and effectively communicate their ideas and viewpoints with freeness and frankness.

c) Promotes ideas as emerging during the process of interactions among the members.

Demerits:

a) It consumes excessive amount of time in making decisions which

reduces the importance of decision.

b) Excessive expenses are involved in convening and holding committee meetings.

c) There are a large number of members in a committee and so it is very difficult to maintain secrecy of the issues and decisions.

5. Project Organisation:

The concept of project organisation became popular particularly after World War II. It may be successfully adopted if it is necessary to manage a small number of large projects. Each project team has specialists in different fields. This type of structure is temporary in nature and designed to perform a specific task with the help of specialists drawn from various departments within the organisation. A projectorganisation structure is led by a Project Manager and assisted by a team of functional specialists. The team focuses all its energies, skills and resources on the project. When the project is completed, the project team is abolished and its members move on to a new project or return to their parent department in the enterprise. Below is the project structure shown in a diagram.

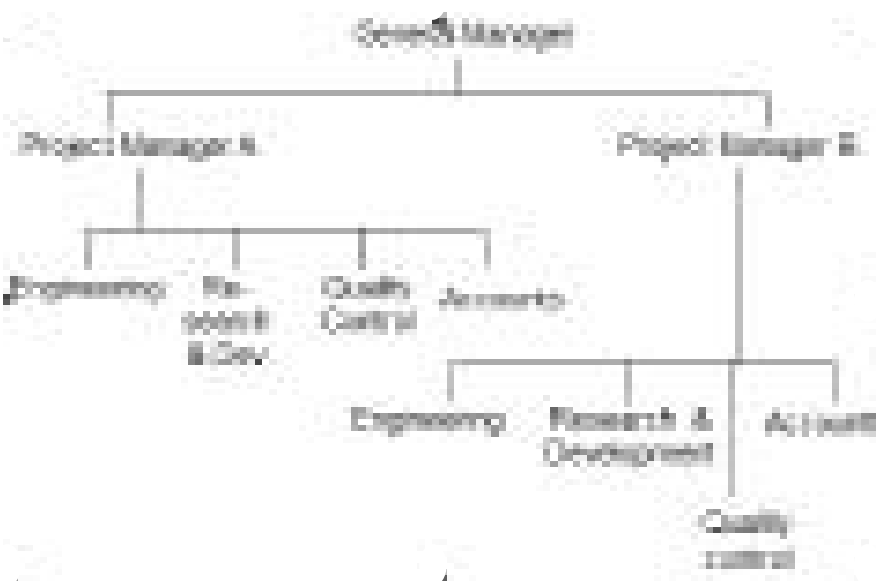


Figure 5.4: Project Organisational Structure

Let us discuss the merits and demerits of Project organisations:

Merits:

a) It can be structured as per the requirement of the project.

b) It makes use of specialised knowledge and skill wherever required.

Demerits:

a) The project manager faces problems in dealing with the specialists from different fields.

b) Decision making is also difficult for the Project Manager who may be pressurised by the specialists.

6. Matrix Organisation: Under these types of structure, there are functional managers and Project Managers. Functional managers are in charge of specialised resources, such as production, quality control, inventories, marketing and finance. Project managers are in charge of one or more projects. They are authorised to prepare projects strategies and they call on the various functional managers for the necessary resources. Matrix Organisation is suitable for a large number of small projects. A matrix organization is also known as a combined organisational structure. The matrix organisation has two chains of command. Here the flow of authority is both vertical (line authority) as well as horizontal. Separate departments have to share the resources with the rest of the organization and cannot claim any exclusive right. The specimen of a matrix organization is given below.

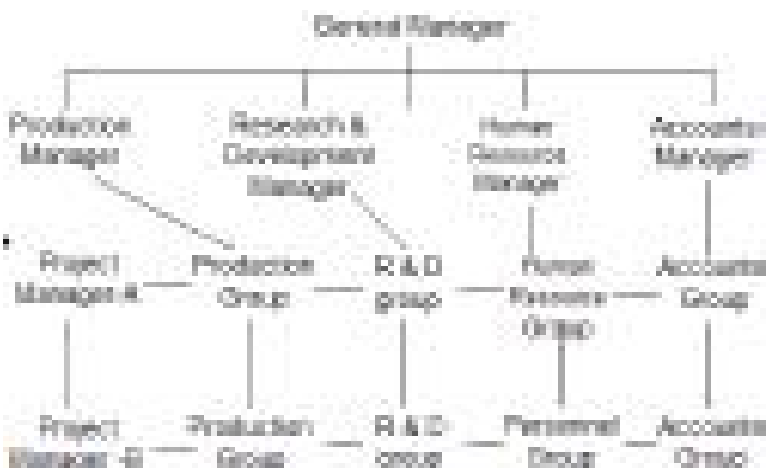


Figure 5.5: Matrix Organisational Structure

Like other structures Matrix Organization Structure also has merits and demerits as shown below:

Merits:

(I) It utilises the benefits of both functional organisation and technical specialisation.

(II) It is flexible. It allows better and quick response to the changes.

(III) It improves communication and interaction among project units and functional heads. It leads to better co-ordination.

Demerits:

(I) It does not follow the principle of unity of command.

(II) Quick decisions are not possible all the times.



CHECK YOUR PROGRESS

Q 5: Write two merits of project organisation.

i) .....

ii) .....



5.7 LET US SUM UP

The term 'Organising' refers to the way in which the work of a group of people is arranged and distributed among them to achieve the desired objectives of an organisation. It is a process of establishing orderly uses of all the resources available. It involves in -

I) identifying and grouping of work on some logical basis

II) delegating the responsibility of individuals and departments.

III) delegating authority.

IV) establishing structural or formal relationship and.

V) coordinating inter-related activities.

It creates and maintains relationships among all organisational resources by indicating which resources are to be used for specified work and when, where, and how.

Organisingefforts help the managers to reduce the possibility of duplication of efforts and proper utilization of resources.

Organisational structure designs the various types of relationship among the people working in an organisation. It helps them to communicate and interact with other or with groups to achieve the pre-determined desired goal smoothly. Aunique type of relationship may not be suitable in alloccassions and different types of organisation and so different types of organisational structures are designed.



5.8 FURTHER READINGS

1) Gupta R.N. (2006). Business organisation and management, New Delhi, S. Chand & b Company Ltd.

2) P. C. Tulsian & Pandey Vishal (2008).Business organization and management. New Delhi, Pearson Education Ltd.

3) Knootz Harold & Weihrich Heinz (2007). Essentials of management: An international perspective. New Delhi, Tata McGraw Hill.



5.9 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Organising is a managerial function. It is a process of (a) bringing together the human and other resources and(b) defining and establishing the authority- responsibility relationship for achieving the objectives.

Ans to Q No 2: Organising increases managerial efficiency as all activities are arranged in order of their importance and assigned to individual employees. It increases certainty and promptness of action. It ensures better communication by acting as network among departments and employees. It mirimises,conflict among the employees.

Ans to Q No 3: This principle states that a subordinate should receive order only from one superior and the subordinate should be accountable only to that superior. The main objectives of this principle are–

(i) toavoidconflict among supervisors regarding issuing of instructions;

(ii) to avoid confusion among subordinates regarding whose instructions should be followed; and

(iii) to fix responsibility for mistakes.

Ans to Q No 4: This principle states that there should be one head and one plan for a group of activities having common objectives. It emphasises the importance of common goals being pursued by a group. It ensures smooth coordination of activities, efforts and resources.

Ans to Q No 5: (i) It can be structured according to organisational need,

(ii) It uses the specialised knowledge and skill.



5.10 MODEL QUESTIONS

Q 1: Define Organising.

Q 2: Discuss the importance of organising.

Q 3: State the principles of organising.

Q 4: What is organisational structure?

Q 5: Discuss the various types of organisational structure.

Q 6: Explain line and staff organisation with their merits and demerits.

Q 7: Write two merits and two demerits of MatrixOrganisation Structure.

*** ***** ***

UNIT 6: STAFFING

UNIT STRUCTURE

6.1 Learning Objectives

6.2 Introduction

6.3 Concept of Staffing

6.4 Importance of Staffing

6.5 Human Resource Planning

6.6 Concept and Sources of Recruitment

6.7 Concept of Selection

6.7.1 Steps in selection process:

6.8 Concept of Orientation

6.9 Let Us Sum Up

6.10 Further Readings

6.11 Answers To Check Your Progress

6.12 Model Questions

6.1 LEARNING OBJECTIVES

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

- explain the concept of staffing
- explain the importance of staffing
- discuss human resource planning
- explain the meaning of recruitment and its sources
- explain the concept of selection and its differences between recruitment and selection
- discuss the concept of orientation.

6.2 INTRODUCTION

Every business manager is faced with the never-ending job of staffing in the organization. Since management is basically the art of getting things done through people, the performance of an organization largely depends on the staffing function. This unit is, therefore, devoted to discussing the

concept and importance of staffing.

The first step in the staffing function is to understand the job requirements. It is concerned with determining two aspects – the number and type of personnel required. This can be done by preparing a human resource plan. The unit therefore, includes a discussion on the concept of human resource planning. The unit also intends to highlight recruitment, selection and orientation which are three important steps in the staffing process.

6.3 CONCEPT OF STAFFING

The term 'staffing' may be defined as that function of management which is concerned with hiring and developing the required personnel to fill in various positions in the organization.

According to Haimann, "Staffing pertains to the recruitment, selection, development, training and compensation of subordinate managers".

Thus, staffing involves human resource planning i.e. estimating the size and nature of the personnel required, followed by recruitment and selection of the best candidates to train, to induct, to reward and to have regular and effective communication with them. The process of staffing consists of the following steps:

(i) Estimating manpower requirement keeping in view the present and future needs of the organization.

(ii) Identifying the sources of supply for adequate number and types of manpower.

(iii) Selecting the right number and quality of personnel.

(iv) Assigning the right jobs to the right person selected by management.

(v) Orientation of employees to their jobs and work environment.

(vi) Training employees in order to improve their knowledge and skill.

Thus, the essence of staffing is the placement of the right man on the right job and at the right time.

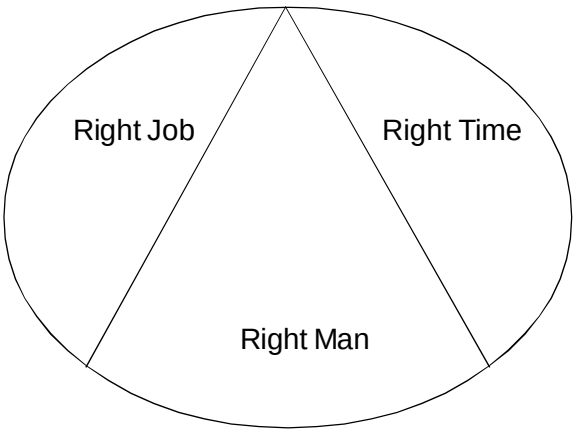


Figure 6.1: Three directions of staffing

6.4 IMPORTANCE OF STAFFING

Human resources of an organization are considered the most valuable assets because it is the people who activate other resources. Human resources perform various activities in different functional areas like production, marketing, finance etc. In fact, effective performance of the staffing function helps to derive the following benefits:

- **Efficient performance of other functions**:

Staffing helps in the efficient performance of other functions of management. If an organization does not have competent personnel, the other functions of management like planning, organizing, controlling etc. cannot be performed efficiently.

- **Effective use of non-human resources:**

Plant and machinery, technology, materials etc. are of no use and remain idle unless there are competent personnel willing to operate them. Staffing function is instrumental in the effective use of available resources.

- **Effective utilization of human resources**:

The staffing function lays emphasis on training and development of the employees of the organization. This enhances the skill and competency of the employees and hence effective utilization of human resources become possible.

- **Realization of objectives**:

Like the other functions of management, staffing function, helps in the realization of organizational objectives. Placement of the right person at the right place ensures the best realization of the organizational objectives.

- **Investment costs**:

Economy and efficiency in operation of an organization may be attained if right men are put in the right job.

- **Stable work force**:

The staffing function offers job satisfaction to employees through training and development programmes, offering financial and non-financial incentives and creating congenial atmosphere at work. All these are done so as to ensure a stable work force in the long- term interest of the organization.

- **Better human relations and industrial relations**:

The staffing function of management not only helps in creating better human relations but also helps in improving the overall industrial relations. These are made possible by implementing the rules, procedures and methods which are designed to maintain congenial atmosphere for work.



CHECK YOUR PROGRESS

Q 1: What is staffing.

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Q 2: State two points of importance of staffing in an organization.

i) .....

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ii) .....

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6.5 HUMAN RESOURCE PLANNING

An organisation will do better if it plans well in advance about the type of personnel required, from where they can be made available and how they can be trained and developed so that the right people are available at the right time for right positions. All these exercises are undertaken in manpower planning or human resource planning.

Thus, human resource planning involves two aspects:

- Planning the manpower requirements for all types and levels of jobs.
- Planning the sources of manpower supplies to provide the organization with the right types of people to meet the planned requirements.

According to Edwin B. Geisler, "Human resource planning is the process – including forecasting, developing, implementing and controlling by which a firm ensures that it has the right number of people and right kind of people, at the right place, at the right time, doing things for which they are economically most suitable".

Based on the above discussion and definition, following features of human resource planning can be identified:

- It is a comprehensive process which includes various aspects of human resource management.
- It involves determination of future needs of manpower in the light of organizational planning and structure.
- It takes into account the manpower to be made available at a future date in the organization.
- It deals with effective utilization of manpower.

Human resource planning is essential in all organisations. Let us discuss its impertance–

- **Skill shortage:** Despite the prevailing huge unemployment, there is an acute shortage of varieties of skills. It makes it necessary to make effective recruitment policy and retain the skilled people.
- **Government controls:** Government controls and changing labour laws with regard to working conditions, hours of work, contract and casual labourers have made the organization more aware of the need

for systematic human resource planning.

- **Technological advancement:** Rapid changes in production technologies, marketing methods and management techniques have exercised tremendous influence on job contents. All these make it necessary to plan human resource needs systematically.
- **Demographic changes:** The changing profile of the work force in terms of literacy, social background, gender etc. call for careful planning of manpower.
- **Impact of pressure group:** In today's context, various pressure groups such as workers' union, politicians, reservation for SC/ ST and other castes etc. exercise considerable influence on matters of employment, promotion etc. These also call for a systematic planning of human resources.
- **Organizational changes:** In the present environment marked by cycling inflation, the nature and pace of changes of organizational environments, activities and structure affect manpower requirements.

6.6 CONCEPT AND SOURCES OF RECRUITMENT

Recruitment involves searching of employees, from within or outside the organisation. It is the discovering of potential applicants for actual or anticipated organisational vacancies. The objective of recruitment is to procure a sufficiently large number of qualified candidates so that the most eligible employees can be selected.

According to Edwin B. Flippo, "Recruitment is the process of searching the candidates for employment and stimulating them to apply for jobs in an organization".

Thus, recruitment involves the following steps:

1) Identifying the sources of supply for adequate number and quality of employees required for the organisation.
2) Publishing information about vacant jobs in the organization.
3) Evaluating available alternative sources of applicants or candidates and selecting the best source.

4) Contacting the selected source of recruitment to secure application, i.e. encouraging and stimulating prospective candidates to apply for the vacant job by providing detailed information regarding the job and the organisation.

Thus, there are two stages in recruitment –

(a) Searching of suitable candidates for the job, and

(b) Motivating and encouraging them to apply for the jobs.

Now, let us discuss the sources of recuitment.

The various sources of recruitment can be divided into two groups –

A. Internal Source (from inside the organization)

B. External Source (from outside the organization)

A. Internal Source: Filling vacancies from inside the organisation is known as the internal source of recruitment. Under this method, vacancies are filled through promotion, retired employees, dependants of deceased or disabled employees, retrenched employees, transfer of an employee from one job to another etc.

B. External Source: Filling vacancies from various outside sources is known as external sources. Some commonly used external sources are employment exchange, campus recruitment, recommendations of existing employees, educational institutions, advertisements and trade unions etc.

We can make a comparative analysis of internal and external sources of recruitment as under:

Basis	**Internal Source**	**External Source**
1. Meaning	It involves search of personnel from within the organization	It involves finding candidates from outside the organization.
2. Time	It is less time consuming	It consumes more time
3. Scope	Choice of candidate is limited	External sources offer wider choice
4. Motivation	Existing staff is motivated to improve their performance	The existing staff feels dissatisfied when recruitment is made from outside sources.

5. Suitability	Candidates may not be found suitable for newer types of jobs	Suitable candidates may be recruited for newer types of jobs

Table 6.1 : Comparison between internal and external sources of recruitment



CHECK YOUR PROGRESS

Q 3: What is human resource planning?

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Q 4: What is recruitment?

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6.7 CONCEPT OF SELECTION

Selection means choosing the fit candidates or rejecting the unfit candidates. It involves a series of steps by which candidates are screened to find out who among them is the best suited for a particular job. It is the process of dividing the applicants into two groups –

a) Those who are to be employed, and

b) Those who are to be rejected.

According to Dale Yoder, "Selection is the process by which candidates for employment are divided into class– those who will be offered employment and those who will not".

Thus, selection is the process of selecting the most suitable candidate from applicants for the various vacant jobs. In other words it is the process of eliminating or rejecting many unsuitable candidates to choose the few suitable candidates. It is described as a negative process as compared to the positive process of recruitment.

The importance of selection can be studied from the following factors:

- **Procurement of suitable personnel:** Only the suitable candidates

who are fit for the job are selected from among the prospective candidates for employment. In this way, the selection process helps in hiring desirable personnel.

- **Reduction of training cost:** Proper selection of candidates reduces the cost of training because qualified and suitable personnel have better learning capacity and they can understand the techniques of work quickly.
- **Building competent workforce:** Proper selection and placement of personnel go a long way towards building up a suitable workforce. It helps in keeping the rate of absenteeism and labour turnover low.
- **Achievement of objectives:** Competent employees inducted in through the selection process show higher efficiency and enable the organization to achieve its objectives effectively.
- **Reduction in accidents:** The rate of industrial accidents are found to be considerably low whenever candidates are chosen and placed on various jobs which suit them.

6.7.1 Steps in selection process

Let us now discuss the steps followed by modern organizations in their selection process to get the right type of persons:

1. **Preliminary interview:** It is the first step in the selection procedure. It takes place at the reception counter of the organization. The object of this interview is to eliminate the fully unsuitable candidate in respect of qualifications and other requirements.
2. **Application form:** It is a blank application form which is supplied to the applicant for filling it with the information in respect of his educational qualifications, age, experience, training etc. as sought by the organization.
3. **Employment tests:** It is the third hurdle for the potential candidates which they have to pass through after their applications are found to be in order. Testing the respondents

has now become a popular method of selection. The various tests used by the employer can broadly be divided into two categories –

(a) Ability tests, and

(b) Personality tests.

4. **Employment Interview:** Employment interview is the most popular method of selection. The purpose of the interview is to know additional information from the candidate and to determine the suitability of the candidate for the job. The interview should be conducted in a friendly environment and efforts should be made to allow the interviewee to settle down and feel at ease.

5. **Reference check:** The reference check is the next step in the selection process. The employer can ask the potential candidate to provide the names of two or three persons who know the candidate personally. The unfavorable remarks by the referees go against the candidate and his candidature may be rejected.

6. **Medical examination:** The medical or physical examination has now become a part of selection procedure in India. This is very important to know whether the candidate is in good health or suffering from any physical disease.

7. **Final selection:** If the candidate successfully passes through all the stages discussed above, an appointment letter is issued to him mentioning the post on which he is selected, the terms of appointment, pay scales etc. The personnel manager should introduce him to the company and his job.

6.8 CONCEPT OF ORIENTATION

When a new employee reports for duty, he should be welcomed as a new member of the organization. He must be helped to get acquainted and adjusted with his fellow employees and work environment. The first day of employment is long remembered by most of the people. A new entrant

joins in an organization as a stranger to his co-workers, job and organization. Hence, arrangements need to be made to make the integration of the new employee into the organization. Orientation or induction helps to do so.

Thus, orientation is welcoming a new employee to the organization. It is concerned with the problem of introducing or orienting a new employee to the organization.

According to Michael Armstrong, "Orientation is the process of receiving and welcoming an employee when he first joins a company and giving him basic information he needs to settle down quickly and happily and start work".

In short, orientation is the process of welcoming and socialization of a new employee to his/her job and organization.

Orientation programme is designed to achieve the following objectives:

- To reduce the initial anxiety all new entrants feel when they join a new job in a new organization.
- To familiarize the new employees with the job, people, work place, work environment and the organization.
- To facilitate outsider-insider transition in an integrated manner.
- To reduce exploitation of the new entrant by the unscrupulous co-workers.
- To reduce the cultural shock faced by a new entrant in the organization.

A formal orientation programme may provide the following benefits to the new comer and the organization:

- It reduces anxiety, nervousness, turnover and absenteeism of the employee.
- It helps to minimize the cultural shock of the new employees which he or she may undergo on joining a new organization.
- It also helps to integrate the new employees into the organization.
- It binds the new comer and the present employees in a team.



CHECK YOUR PROGRESS

Q 5: What is recruitment?

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Q 6: State two objectives of an orientation programme.

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6.9 LET US SUM UP

In this unit we have discussed the following:

- Staffing is that function of the management which is concerned with hiring and developing the required personnel to fill in various positions in the organization. It is very important for the performance of an organization which largely depends on the staffing function.
- Human resource planning is first concerned with planning manpower requirements and supplies for smooth functioning of an organization.
- Recruitment involves searching of employees from within or outside the organization. There are two important sources of recruitment-internal and external. Selection means choosing the fit candidates or rejecting the unfit candidates or a combination of both. Recruitment is followed by selection.
- Orientation is welcoming a new employee to the organization.



6.10 FURTHER READINGS

1) Knootz Harold & Weihrich Heinz (2007). Essentials of management: An international perspective. New Delhi, Tata McGraw Hill.

2) Smarth, M. W. & Siriya M. Pratibha (2001) Fundamentals of management: Perspective management. New Delhi, S. Chand & Company Ltd.

3) Chand S. N. (2009). Management: Concepts, theory and practices. New Delhi, Atlantic Publishers.

4) Massie Joseph (2007). Essentials of management. New Delhi, Prentice – Hall of India Pvt. Ltd.



6.11 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Staffing is an important function of management which is concerned with the hiring and developing the people required in the organisation. The steps in staffing process are–

(i) Estimate the required manpower supply;

(ii) Identity the sources of manpower supply;

(iii) Selecting the right number and quality of people;

(iv) Assigning the right job to the right person;

(v) Orientation of employees; and

(vi) Training of employees.

Ans to Q No 2: The importance of staffing are –

(i) It helps in effective utilization of human resources.

(ii) It helps in realization of organizational objectives.

Ans to Q No 3: Human resource planning is concerned with deciding in advance the type of people required, the sources from where the required number and type of people can be collected and how they may be trained and developed to meet future organisational requirement.

Ans to Q No 4: Recruiting is the process of searching of employees from internal and external sources of recuritment. It is concerned with discovery of potential applicants for the organisation. There are mainly two sources of recuritment- internal sources and external sources.

Ans to Q No 5: Selection is the process of choosing the right candidate and rejecting the unsuitable candidate. Selection process divide the applicants into two groups–

(i) those who are to be employed, and

(ii) those who are to be rejected.

Ans to Q No 6: Two objectives of an orientation programme are –

i) To familiarize the new employees with the job, people and work place.

ii) To reduce the initial anxiety of the new employees.



6.12 MODEL QUESTIONS

Q 1: What is staffing?

Q 2: State the steps involved in the staffing process.

Q 3: Explain in brief the importance of staffing in an organization.

Q 4: Define human resource planning.

Q 5: What are the important features of human resource planning?

Q 6: What are the reasons for giving more importance to human resource planning in modern organization?

Q 7: What do you mean by recruitment?

Q 8: What are the various sources of recruitment?

Q 9: Distinguish between internal and external sources of recruitment.

Q 10: Define selection and discuss its importance.

Q 11: Explain the various steps in a selection procedure.

Q 12: Give the meaning of orientation.

Q 13: What are the objectives of orientation programme and what are its benefits?

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UNIT 7: CONTROLLING

UNIT STRUCTURE

7.1 Learning Objectives

7.2 Introduction

7.3 Meaning and Importance of Control

- 7.3.1 Meaning of Control
- 7.3.2 Importance of Control

7.4 Steps in Control Process

7.5 Behavioural Implications of Control

7.6 Management By Exception

7.7 Techniques of Managerial Control

- 7.7.1 Budgetary Control Techniques
- 7.7.2 Non Budgetary Control Techniques

7.8 Let Us Sum Up

7.9 Further Readings

7.10 Answers to Check Your progress

7.11 Model Questions

7.1 LEARNING OBJECTIVES

After going through this unit, you will be able to –

- define the meaning and importance of management control
- describe the necessary steps in control process
- explain the behavioural implications of control
- define the management by exception
- classify the techniques of managerial control into budgetary and non-budgetary.

7.2 INTRODUCTION

Control is the final principal element of the managerial process. This function intends to ensure that everything occurs in conformity with the plans and predetermined goals which are successfully achieved. Thus, this

function aims to make things happen in order to achieve goals. In this unit, we will discuss the meaning and some important aspects of control.

7.3 MEANING AND IMPORTANCE OF CONTROL

7.3.1 In this section firstly we will discuss about meaning of control.

Meaning of control :

Control is the exercise of checking and correcting organisational functions in order to ensure that things occur in accordance with the planning. Control is a process that guides performance towards predetermined goals. Control is a process of analysing and examining whether actual performance is going on according to planned performance and if not where the deviations are occuring and when to take measures for correction. Control is a process of comparison and verification between planned and actual performance. Philip Kotler defines Control "as the process of taking steps to bring actual results and desired results closer together." According to Massie, control is the process that measures current performance and guides it towards some predetermined goals. EFL Breach defines control as a process of checking current performance against pre- determined standards contained in the plans, with a view to ensure adequate progress and satisfactory performance. Out of the above definitions, the following characteristics of control emerge.

- Control is an important managerial function. Every manager in an organisation has to perform controlling functions.
- Controlling function is essential in every level of management.
- Another important feature of control is that the elements and nature of control process are universal. The process of control remains the same in all types of organisation.
- Control is a continuous process. It is a never ending process till the organisation exists.
- Control is a dynamic process. Every manager is to change the control process according to changing situation of the environment.
- The purpose of control is always positive and constructive, because control aims at achieving the goal as desired.

- Control is a goal-oriented function.
- Control is also action-oriented, because it takes some corrective action to fulfil the desired performance of an organisation.
- Control is called forward looking as it aims at future action of an enterprise.
- Control is based on planning, because without the objectives, targets and standards of planning, control is not possible.
- Control is related to checking, examining and regulating actions and behaviour of employees.
- The scope of control is very wide as because it includes the control of quantity, quality, time, cost etc, i.e. all activities of an organisation.
- The control is also called backward looking as it is related to the activities which have already been done.

Importance of Control :

Control is one of the important elements of management process. No manager can complete the management process without control. According to Robbins and Coulter, control is important because it is the final link in the functional chain of management activities. It is the only way of managers to know whether or not organisation goals are being met and why or why not. The importance of control is discussed as folows:

- **Smooth functioning of the enterprise :**

The control function help an enterprise in performing its activities smoothly. In this connection Peter Drucker has said that control maintains the equilibrium between ends and means, output and effort. In presence of such equilibrium position, an enterprise can perform its function smoothly. By the help of control an enterprise can maintain equilibrium between planning and purpose of the organisation.

- **Management of big enterprise :**

The control function is very much essential in the management of large organisations. In large organisations numerous complexities are associated. Large organisations produce variety of products, use automatic

and computerised system of production, and also cover vast geographical areas. So, in case of these organisations, uniformity of actions and behaviour among the employees can be ensured only through effective control system.

- **Maintaining Competitiveness :**

In order to maintain competitiveness over a long period of time, a business is to apply effective control system. Through effective control system, management can utilise the valuable resources of the business for the accomplishment of its organisational goals.

- **Attainment of goals :**

By the help of control system a business can guide its activities towards the realisation of the pre-determined goals. According to Robbins and Coulter an effective control system ensures that activities are completed in ways that lead to the attainment of organisational goals.

- **Success of Planning :**

Through control, organisational activities are checked and examined to ensure that everything is going on according to planning. That is why, Terry and Franklin have rightly said that the failure of controlling means sooner or later the failure of planning and success of planning means the success of controlling.

- **Help in Decision-making :**

By the help of control system a manager can find out the difference between actual performance and standard performance. Thereafter, the manager can easily decide how to correct the deviations. In this connection, managers can take the help of effective control system, through which they can decide about follow up actions.

- **Effective delegation and decentralisation :**

In order to make the delegation and decentralisation effective, control system is very much essential. Because, without proper control system, no delegation and decentralisation of authority can produce desired results.

- **Proper Direction :**

Effective direction is always possible through effective control. So,

Peter. F. Drucker pointed out : "The synonymous to control is direction. The managers can observe that activities of a business are effectively directed towards the pre-determined objectives through systematic control system."

- **Promotes Coordination :**

The control system can guide the activities of an organisation towards the same direction as desired by the management. Thereby managers can ensure unity of direction and uniformity of actions and behaviour. This also helps in the development of the spirit of cooperation and coordination among the employees and various departments.

- **Enhances motivation and morale :**

A systematic control system plays an important role in the enhancement of employees' motivation and morale. Control can encourage employess to perform their duties better and serves as challenge and provide opportunity to improve performance.

- **Maintains discipline and honesty :**

Effective control system requires every member of an organisation to maintain rules and regulations, standards of behaviour and action. In order to maintain discipline and honesty among the employees, management is to apply effective control system. Otherwise, managers shall be regarded as irresponsible.

- **Timely performance :**

Time is an important factor in managerial activity. Management can perform the organisational activities in right time by the control system. Pre-decided work schedules, programmes, time tables are the different controlling techniques which ensure timely performance of organisational activities.

- **Detection and correction of mistakes :**

The control system finds out the deviation between standard and actual performance. Moreover, if any deviation is found then the control system detects the cause of the same and also provides corrective measures. Thus, through a control system all possible mistakes and irregularities can be detected and corrected.

- **Promotes economy :**

An effective control system can reduce unnecessary cost and wastages of production. Thereby, management can reduce the per unit cost of production and increase the profitability. After all, an organisation can effectively and efficiently use its resources by the help of control.

l Organisational Stability :

Organisational stability is possible, if the management can properly use its control system. Different control techniques such as plans, policies, rules, budgets, fixation of standard can contribute to the organisational stability. All of these techniques of control can provide a strong foundation to the organisation. By an effective control system management can create a good work culture and build good image and goodwill of the organisation in the society.

l Adapting to changing environment :

These days, products, competition, technology, consumer, market, government policies, corporate laws, employees behaviour, society etc. are changing at a high rate. So, control is very much essential to adjust the business activities according to the changing situation.



LET US KNOW

At present, management experts view control as comprising of two components. One part is related to the achievement of effective control by a manager on his subordinates. This means controlling the human element in the enterprise. A manager must control people. If people are controlled properly, actions and events will take place as per plans. Managers, therefore, control things by controlling people. The second part of controlling is related to the evaluation of actual work performance or output and the initiation of corrective action when necessary to rectify errors or deviations. This is the control mechanism with a feedback loop present in the planning – control feedback cycle. Success of any organisation depnds on control mechanism. Where control mechanism fails, plans also fail and where plans succeed, control also succeed.



ACTIVITY 7.1

1."Planning is an empty exercise without controlling." – In the light of this statement find out the relationship between control and planning.



CHECK YOUR PROGRESS

Q 1: State whether the following statements are true or false-

i) Manager do not performs control function.

ii) Process of control remains the same in all types of organisation.

iii) Control is a goal -oriented function

iv) Control is both forward and backward looking.

v) Control is not a dynamic process.

7.4 STEPS IN CONTROL PROCESS

Control is a continuous or ongoing dynamic process. Control process involves the following steps.

1) Establishment of Standards :

Establishment of standards is the first step of control process. Standard is the criteria of performance or yardstick for judging results. A standard is a rule for measuring. Standard may be in several forms. Standard should be defined in quantitative terms to make control more specific. Different forms of standard are Productivity Standards, Time Standards, Cost Standards, Quality Standards, Behavioural Standards. Standard should be fixed in all the key areas of business. Moreover, standards should always be flexible and capable of being adapted to changing environment.

2) Measurement of Performance :

The next step in the control process is the measurement of actual performance. Personal observation, samples, reports, accounting statement etc are the various methods of measuring actual performance. Depending on various situations, the method of measurement may be quantitative, or

qualitative or a combination of both. Managers should carefully select the methods of measurement and time gap within which performance will be measured. The measurement of performance should always be clear, complete, precise and objective.

3) Comparison between actual performance and standard :

The third step in the control process is the comparison of actual performance with the standards. In this step, the managers not only find the deviation between the actual and the standard performance, but also identify the cause of this deviation. The managers should distinguish between noncritical and critical deviation. It is important to mention that focussing on critical deviations is known as control by exception. The management can provide information relating to work performance through relevant data, charts, graph and written reports.

4) Correction of Deviation :

This is the last step in the control process. Management should take immediate corrective measure after determining the causes of deviations. In order to improve performance managers can provide training, revise compensation plan, redesign job; change the strategy, changing the organisational structure etc.

The various steps of control process are shown below-

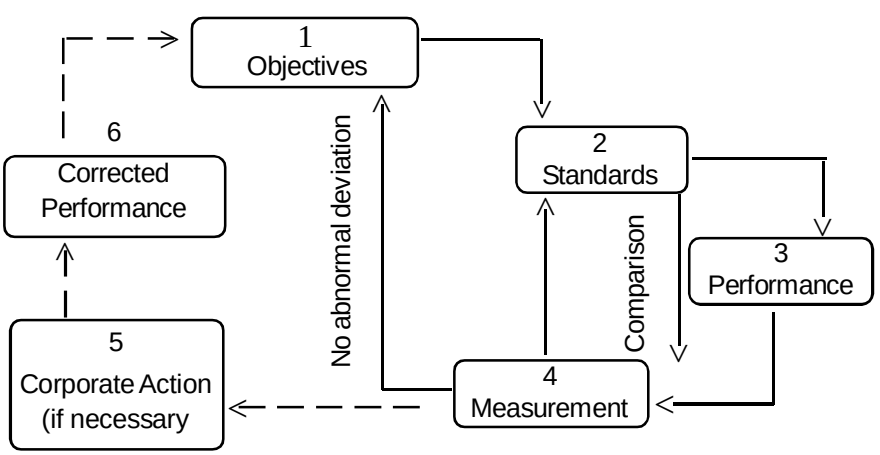


Figure7.1: Control Process



CHECK YOUR PROGRESS

Q 2: Match the following

	A	B
i)	Establishment of standard	a) Second step of control
ii)	Comparison between actual and standard	b) Fourth step of control
iii)	Correction of deviation	c) Third step of control
iv)	Measurement of performance	d) First step of control

i) .....

ii) .....

iii) .....

iv) .....

7.5 BEHAVIOURAL IMPLICATIONS OF CONTROL

The essence of control is the people, because management must control people, not things or resources. Management is to control material resources through controlling the people. All employees are not completely logical in their behaviour. Control system generally affects the behaviour of employees in the following different ways –

- Employees are likely to resent very close control. Employees may be present on the job physically but they may be absent mentally and emotionally.
- Employees may adopt hidden hostility instead of open hostility. Hidden hostility may be more dangerous.
- Employees may react to minimize the control through absenteeism as well as turnover or by quitting their jobs.
- Sometimes they may develop innovative methods of deviation and may keep the deviations from being discovered.
- Trade union may fight back against tighter control system adopted by the management. As a result, the tighter control may lead to lower performance.

- Moreover, tighter control system may create absenteeism, turnovers, transfers, union activity, low employee morale, low productivity, dissatisfaction of employees and poor organisational climate.
- Employees' view regarding fixation of standard may be negative. They may not understand fully the standards, if the standards are imposed on the employees without any accompanying explanation of their need and value.
- In case of corrective action, most of the employees dislike being corrected. Because they find it difficult to accept the facts of life and so develop a sense of frustration. Moreover, employees blame control decisions as they expose their limitations to peers, superiors and subordinates. Sometimes, it will be ego-deflating for the employees against whom corrective actions are taken.
- The perception of employees of an organisation may be against the control system. The employee may think that the purpose of control is for the benefit of the organization, not for them. In such a situation, control system will be adversely affected by the behaviour of the employees.

Overcoming Behavioural Problems :

The behavioural implications of control as discussed above do not imply that management should not initiate control techniques in the organization. By overcoming the behavioural problems, the control system can be made effective in the organisation. Now, we will discuss certain measures to overcame the behaviooural problems-

- In an organization, the management should avoid the direct hierarchical pressure. So, management can adopt structural arrangement.
- Management should improve the co-operation by increasing participation among the employees. For this purpose, a suitable organizational climate is very much essential.
- Management can build-up a good communication network based on two-way communication.
- Group processes should be strengthened in the organization for the purpose of obtaining coordination and cooperation in control system.

- In order to solve the problems of motivation arising from the control system, the management should reinforce both economic as well as non-economic needs of the employees.
- At the time of designing control system, management should consider its long term perspective so that frequent and abrupt changes never take place.



CHECK YOUR PROGRESS

Q 3: How control system can influence the behaviour of employees? (Answer withing 50 words)

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Q 4: Suggest two measures to overcome behavioural problems of employees over the control system.

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7.6 MANAGEMENT BY EXCEPTION

Management by exception is an important principle of organizational control. According to this principle, the managers should give attention only on a significant deviations from standards of performance. By this principle, manager can separate important and unimportant deviation. As per this principle, a managers should send only information of important deviation to the top management. The managers should concentrate their effort only on important matters. They should not observe each and every matter of the organization. If managers can apply this principle, they can handle their control system more efficiently. This principle says that subordinates should perform all routine matters of the organization and thereby the subordinates should leave the manager free to deal with non-routine or exceptional organizational issues. As for example, the manager establishes a quality

control standard, under which 2% defective production can be allowed. So, according to the principles of management by exception, managers should inform the top management, if the defective is found more than 2% and they should not inform the management about any defective production up to or less than 2%.

Benefits of Management by Exception :

From the use of the principles of management by exception, the following benefits can be enjoyed –

- It can save the time of top level management.
- It can increase the concentration of executive efforts on major problems.
- It provides better facilities in systematic delegation of authority.
- It makes possible the use of the knowledge of the managers and the important data and information for the productive purpose.
- It helps the managers in the identification of critical problems.
- It provides both qualitative and quantitative yardsticks to judge situation and people.
- It improves the quality of communication among various segments of an organization.
- It plays vital role in the control system of big organizations.
- It helps in the development of skill of the lower level managers.
- It minimizes the frequency of decision making.



CHECK YOUR PROGRESS

Q 5: What is management by exception?

(Answer within 50 words)

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7.7 TECHNIQUES OF MANAGERIAL CONTROL

Managerial control is a systematic effort to set performance standard along with planning targets. There are various techniques of managerial control. All techniques can be classified broadly into two categories. Such as :

A. Budgetary control techniques

B. Non-budgetary control techniques

7.7.1 Budgetary Control Techniques

A budget is a recorded plan of action expressed in quantitative terms. Budgetary control is derived from the concept and use of budgets. According to George R. Terry, "Budgetary control is a process of comparing the actual results with the corresponding budget".

There are generally four steps of modern system of budgetary control. These are mentioned below :-

- **Budget Policy Guidelines :** In an organisation, line managers have to base their expectations on various assumptions in time of preparing budgets. These assumptions are related to economy, political trends, government policies, competitors' actions, strengths of organisation, basic managerial policies etc. The top management should prepare a common set of budget policy guidelines to be followed by all managers of middle and lower level. Budget Policy Guidelines also lay down the fundamental targets necessary for continuous progress of the business.
- **Preparation of Budgets :** According to nature, activities and size of organisation, different types of budget are prepared. Different departmental heads have to prepare their own budget as per guidelines given by the top management. Thereafter the budget committee would discuss all the budgets and observe that budgets are prepared within the safety margin.

- **Reporting of variance :** Cost variance is the difference between a budgeted cost and an actual cost. There are mainly three cost variance. such as material cost variance, labour cost variance and overhead cost variance. On the basis of variance analysis, the managers can take immediate corrective action. The managing director can know the overall position of the organisation from the report of variance. Generally the performance is measured against the budget and the variance is calculated by the budget department under the control of budget officer.
- **Review and Follow-up :** It is an important step in budgetary control process. Generally, the budget committee meets periodically to review the performance of various departments. If this review and follow-up action is neglected, then no system of budgetary control becomes effective.

LET US KNOW



Let us discuss some budgets-

- **Sales budget :** Sales budget is a future estimate of expected sales. It is the nerve center or backbone of an organisation. At the time of preparing sales budget different factors are considered such as past sales figures, Assessment and reports of salesmen, availability of raw materials, seasonal fluctuations, availability of finances, and plant capacity etc. Generally sales managers have to prepare the sales budget.
- **Selling and Distribution Cost budget :** This budget is prepared along with the sales budget. This budget breaks down the figures for selling costs and distribution costs in groups for controlling such costs. So, this budget is to depend upon the sales budget. Because, selling and distribution cost are changed according to change of sales. The sales managers are responsible for preparing this budget.

- **Production budget :** Production budget is also prepared in relation to the sales budget. Production budget is the estimation of production during budget period. Production budget includes amount of production, cost of materials, labour, factory overheads etc. Production planning, plant capacity, stock quantity, sales budget figures etc. are important factors to be considered at the time of preparing the production budget.
- **Production cost budget :** In the production cost budget, the future productions are expressed in terms of money. This budget estimates the total amount of money to be spent for producing the amount of goods estimated in production budget. Production cost budget has three subsidiary budgets such as (a) Direct materials,(b) Direct Labour, and (c) Production overheads.
- **Purchase budget :** Purchase budget is derived from the direct materials and indirect material included by the overhead budget. This is a subsidiary budget, which gives the consumption of materials in the production process.
- **Cash budget :** After preparing all cost budgets, the cash budget is prepared. Cash budget is the anticipated receipt and expenditure for a certain period of time. Different sources of cash as well as various items of expenditure are anticipated in cash budget.
- **Master budget :** It is a budget for the organisation as a whole. Master budget shows the expected overall effect. It is prepared in the form of projected profit and loss account for the organisation. By the master budget the top management tries to match with the goals set earlier.

Objectives of budgetary control :- The main objectives of budgetary control are as follow –

- **Ensure planning :** The main objectives of budgetary control is to ensure planning through different budgets.
- **Coordinate the activities :** Another objective of budgetary control is to coordinate the different activities of different departments.
- **Operation of cost center :** By the budgetary control, various cost centers and departments can operate with efficiency and economy.
- **Eliminate wastes :** As a result of budgetary control, an organisation can eliminate its wastes and unnecessary cost, which can ultimately increase profitability.
- **Capital expenditure :** Budgetary control can anticipate capital expenditure of an enterprise for the future.
- **Control :** Budgetary control can centralise the control system of an organisation.
- **Correction :** Different corrective measures can be adopted, which can minimise the deviations from the standards established earlier.
- **Responsibility :** By the budgetary control the responsibility of different employees and officers can be fixed.

Advantages of Budgetary Control :

The budgetary control has the following advantages -

- **Profitability :** By virtue of budgetary control, the profitability of an organisation can be maximised.
- **Increase Coordination :** Another advantage of budgetary control is to increase the coordination among different activities, departments, employees etc.
- **Achievement of goals :** Organisational goals can be achieved by the help of budegtary control.
- **Measuring performance :** Budgetary control can be used as a tool for measuring performance. Under budgetary control different targets are provided to different departments and thereafter actual performance is compared with the target. The

deviations between the actual and the budgeted targets are reported to the top management.

- **Economy :** Under the budgetary control system, different expenditures are systematically alloted to different departments and activities. Thereby, wastage can be minimised and the resources of an orgnisation can be economically used.
- **Determining drawbacks :** There are various drawbacks and weaknesses in the activities and departments of an organisation. Through the budgetary control, these drawbacks are determined and efforts are concentrated to remove these drawbacks.
- **Incentive schemes :** By the help of budgetary control system, an organisation can introduce different incentive schemes of remuneration for the employees.

Limitation of Budgetary Control

Inspite of many advantages, the budgetary control system suffers from the following limitations :

i) **Unknown and Unseen future :** Budgetary control system entirely depends upon the future. On the other hand,the future is unseen and unknown. So, the future may not come as per estimate in budget. The change in business environment, market, government policy may adversely affect the budgetary control of an organisation.

ii) **Revision :** Budgetary control is based on some assumption. So, if these assumption do not come true, then budgets should be revised. Frequent revision of budget can reduce its value and importance.

iii) **More efficient employees may be discouraged :** Generally the target are fixed under the budget to be achieved by the average quality employees. So, the more efficient employees may be discouraged under the budgetary control system.

iv) **Lack of coordination :** The budgetary control system depends on the coordination of different departments. But, in practice

the coordination may not be maintained by the departments. There should be a budgetary officer for maintaining coordination. But, all organisations cannot appoint such budgetary officer owing to financial burden.

v) **Conflicts among departments :** Under budgetary control system, different amounts of finance are allotted to different departments. All departmental heads want to get the maximum allocation of funds, which is not practically possible. As a result, conflict may arise among these departments.

vi) **Depends upon top management :** The support of the top management is essential for the success of budgetary control. So, if at any time, there is a lack of necessary support from the top management the budgetary control system may fail to deliver the expected result or adversely affect the performance.

7.7.2 Non-Budgetary Control Techniques

There are some other techniques of control, which are not based on budget. These are called non-budgetary control techniques. Some non-budgetary control techniques are discussed below –

i) **Reports :** Different special reports and records can be prepared by the experts for controlling purpose. Such special reports contain much deeper information. These are generally called investigative reports. These reports indicate the depth of the problems and can suggest the way of solving the problem.

ii) **Ratio analysis :** Ratio anaysis is the most important method of interpreting the financial statements. A financial ratio implies a relationship between two variables of financial statements of an organisation. Generally the variables for ratio analysis are taken from both profit and loss account and balance sheet. Ratio may be expressed in three ways, such as percentage (25%), a proportion (1:4) or a fraction (¼).

iii) **Break-even analysis :** Break-even analysis is a graphical technique of control. By this technique business can identify an appropriate number of units to be produced to generate maximum revenue to cover the cost. By this technique a point is located where the total cost is equal to the total revenue. By the use of this technique production and sales volume can be controled to avoid loss.

iv) **PERT/CPM :** These are the network techniques used for controlling the action and performance. The full meaning of PERT is Programme Evaluation and Review Technique and the full meaning of CPM is Critical Path Method. Under the PERT/CPM method, a network diagram is prepared to display the sequence of activities necessary for the completion of a project. So, PERT helps an organiser in planning the schedule of a project and to monitor and control the progress of this project. This method also helps in identifying possible obstacles and shifting the resources as necessary to keep the project on schedule.

v) **Inventory control :** Inventory control is also called material control, which includes the kind, amount, location and timing of various materials. Material may be classified mainly into three categories i.e, Raw-Materials, Work-in-Progress and Finished Goods. In order to make a smooth functioning of the production activities, inventory control is immensely important. The main objective of inventory control is to provide the right material at right time at right place. Different parameters of inventory control are safety inventory level, maximum inventory level, re-ordering level, etc.

vi) **Statistical Quality Control (SQC) :** SQC is a statistical method which analyse data in the determination and control of quality. This statistical technique of quality control is based on mathematical theory of probability. By this method production quality can be maintained in an economical manner. This

method can immediately rectify the error. It is a preventive method and can reduce cost and time of inspection work.

vii) **Financial statement :** Profit and Loss account and balance sheet are the two principle financial statements. These financial statements show the working as well as finantial position of a business. There are various techniques of analyzing these financial statements such as ratio analysis, comparative statement, break-even point, trend analysis etc. which can be used as techniques of controlling the day-to-day financial activities of an organisation.

viii) **Human Resource Accounting :** According to Eric Flamholt Human Resource Accounting is the accounting for people as an organizational resource. It involves measuring the costs incurred by business firms to recruit, select, hire, train and develop human assets. It also involves measuring the economic value of people to the organisation. Human Resource Accounting can change the attitude of executives and in this way it can provide necessary data and information for controlling human resource of an organisation.

ix) **Management by Objectives :** It is also called Result Management. Peter Drucker introduced the concept of Management by Objectives in the year 1954. Peter Drucker defines Management by objectives as a system for improving performance in both the individual managers and the enterprise as a whole by setting the objectives at the corporate, department and individual manager's level. Under the process of MBO, periodic review is made and employees are provided with adequate feedback on the actual performance as compared to the planned performance. So, this method can be used as a control technique.

x) **Management Information System :** Under the Management Information System selected decision oriented information is provided by management for planning, controlling and

evaluating the activities of the corporation. It is designed to control the organizational activities at all levels. The Management Information System requires the current as well as future information on marketing, administration, production, research functions etc. On the basis of the data and information supplied by the Management Information System, the top management can formulate appropriate control technique.



CHECK YOUR PROGRESS

Q 6: What is budgetary control system?

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7.8 LET US SUM UP

In this unit, we have discussed the following–

Controlling is a process of analysing and examining whether actual performance is going on according to planned performance and if not where the deviations are and when to take measures for correction. Control is a continuous process. It is goal oriented and based on planning. Control is very much essential in the management of large organisation. Control can help an organisation in fulfilment of its predetermined goals. It is also helpful in the decision making process. There are mainly four steps of control process: Establishment of standard, Measurement of performance, Comparison between the actual perfornamce and standard, correction of deviation. The essence of the control system is the people, not things or resources. The control system affects the behaviour of the employees. So, control system should consider the feeling, motive, behaviour and attitude

of employees. Management by exception is an important principle of organisational control. Under the principle, managers should give attention only on significant deviations from the standards of performance. This principle has six basic ingerdients, these are - Measurement, projection, selection, observation, comparision and decision - making. This principle can save the time of the top level managers so they can give more attention on the major problems. There are several techniques of managerial control. All of these techniques can be classified mainly into two categories, such as budgetary control techniques and non-budegtary control techniques.



7.9 FURTHER READING

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7.10 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: i) False ii) True iii) True iv) True v) False

Ans to Q No 2:

(i) – d.

(ii) – c.

(iii) – b.

(iv) – a.

Ans to Q No 3: (i) Employees may not like very strict control. Therefore, in organisations where strict control is exercised, employees may be present on the job physically but not emotionally;

(ii) Employee turn over rate may increase;

(iii) Trade union may resent strict control adopted by the management.

Ans to Q No 4: (i) Management should improve cooperation with the employees,

(ii) Management should build up a good communications system.

Ans to Q No 5: It is an important principle of organisational control which states that managers should conecentrate only on significant deviations from the standard of performance. The managers should not observe the routine matters. There matters should be taken care of subordinates and the top level managers should concentrate on exceptional organisational matters.

Ans to Q No 6: In budgetary control system, actual results are compared with the budget and for any significant variations immediate corrective steps are taken. The performance review is regularly undertaken under this system.



7.11 MODEL QUESTIONS

Q 1: Define control. Explain the main characteristics of control.

Q 2: Access the importance of managerial control.

Q 3: Discuss the main steps in the control process.

Q 4: What are the behavioural implications of control ?

Q 5: Explain the principle of Management by Exception.

Q 6: What are the various techniques of control ?

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