GCM S2 02

Principles of Management

SEMESTER- II

COMMERCE



KRISHNA KANTA HANDIQUI STATE OPEN UNIVERSITY

Subject Experts

Profesor Nayan Barua, Gauhati University
Profesor H. C. Gautam, Gauhati University
Dr. S. K. Mahapatra, Gauhati University

Course Coordinators : Devajeet Goswami, Dipankar Malakar, Commerce, KKHSOU

SLM Preparation Team

UNITS	CONTRIBUTORS
1	Dr.. Smritishikha Choudhury, K.K.H.S.O.U.
2	Sumadhur Roy, Gauhati Commerce College
3 & 4	Dr. Devajeet Goswami, K.K.H.S.O.U.
5	Shri M.C. Kalwar, Gauhati Commerce College
6	Dr. R.K Pathak, Gauhati Commerce College
7, 8, 9 & 10	Dr. Arabinda Debnath, Bineshwar Brahma Engineering College, Kokrajar

Editorial Team

Content : Profesor Nayan Barua, Gauhati University
Structure : Devajeet Goswami, Dipankar Malakar, KKHSOU

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Headquarters: Patgaon, Rani Gate, Guwahati-781017

City Office: Housefed Complex, Dispur, Guwahati-781006; Web: www.kkhsou.in

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COURSE INTRODUCTION

The course *Fundamentals of Management* of B. Com 2nd semester will focus on the different aspects of management. With increase complexities in business environment, the management of business organizations has also become complex. The business organizations need to be managed scientifically to make it efficient as well as to maintain its efficiency. Hence, management to a great extent determines the success or failure of a particular organization which, in turn, depends on the skill of the manager of the organization.

Therefore, it is very important for the learners of B. Com. programme to be well versed with the fundamental aspects of management. As future managers, you must have theoretical and practical knowledge of management so as to equip yourself with managerial skill to manage a business organisation most efficiently. This course has been designed to acquaint the learners with these skills. In the first unit, we will discuss the concept of management, levels of management, evolution of management thought, management styles in Indian context etc. The second unit will focus on planning, its importance, steps in planning and in third unit emphasis will be given on decision- making, types of decisions, process of decision- making etc. An important function of management is organising and the fourth unit will focus on meaning of organising, its importance, principles, different types of organizational structure etc. Then the unit *staffing* will help you in understanding the meaning of staffing, its importance, human resource planning etc. Then the other important aspects of a manager's job like, directing the employees and supervising will be discussed in the unit- *Directing*. Another important function of managers in organizations is controlling. So to make you familiar with this aspect the unit *controlling* will focus on the meaning and importance of controlling in an organization, steps in controlling as well as the budgetary and non- budgetary techniques of controlling.

While going through a unit, you will notice that some along-sode boxes, which have been included to help you know some of the difficult, unseen terms. Some 'ACTIVITY' (s) has been included to help you apply your own thoughts. Again, we have included some relevant concepts in 'LET US KNOW' along with the text. At the end of sections, you will get 'CHECK YOUR PROGRESS' questions. These have been designed to self-check your progress of study. It will be better 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.

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UNIT 1: INTRODUCTION TO MANAGEMENT

UNIT STRUCTURE

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1.1 LEARNING OBJECTIVES

After going through this unit you will be able to:

- define the meaning and scope of management
- differentiate between management and administration
- explain levels of management
- outline functions of 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.

In this unit we will discuss various aspects of Management.

1.3 CONCEPT OF MANAGEMENT

Unlike other subjects like philosophy, psychology and economics, management is a relatively new concept. 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 few of the important definitions of the term 'management'.

- 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".
- S. George "Management consists of getting things done through others. Manager is one who accomplishes the objectives by directing the efforts of others".
- 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 consists of getting things done through others by directing their efforts in an integrated and coordinated manner in order to attain business objectives. It consists of all organizational activities that involve goal formation and accomplishment, performance appraisal and the development of an operating philosophy that ensures organization survival.

1.3.1 Characteristics of Management

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

- ***Management is an activity***. Management is a process of organized activity, which is concerned with the efficient use of the factors of production.
- ***It is a purposeful activity***. It is concerned with the achievement of an objective or set of objectives through its functions such as planning, organizing, staffing, directing and controlling
- ***It is concerned with the efforts of a group***. According to Appley, management is concerned with the management of people and not the direction of things. It inspires and motivates workers to put their efforts to the maximum extent.
- ***Management is getting things done*.** According to Koontz and O' Donnell, management is the art of getting things done through and with the help of people in formally organized groups.
- ***Involves decision-making.*** It is said that management is the decision making process and the decisions are involved in all the functions of management.
- ***It co-ordinates all activities*** and resources through its various functions to attain the stated objectives.
- ***It is a universal activity*.** The techniques and tools of management are universally applicable irrespective of the nature and size of the enterprise.
- ***It is an integrating process*.** It integrates men, machines, money and materials for carrying out the operations of an enterprise to achieve the stated objectives.
- ***It is intangible.*** It is abstract and cannot be seen with the eyes. It is reflected by the quality of the organization and the results such as increased productivity and increased morale of the employees etc.

- ***Management is both science and art.*** Management is science as 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.
- ***It is a profession***. Gradually, it is becoming a profession because these are established principles of management, which are being applied in practice.
- ***It is dynamic not static***. Management adapts itself to the social changes and also introduces innovation in methodology.

1.3.2 Scope of Management

Management includes the following aspects:

- **Subject matter of management**. It consists of various management functions such as planning, organizing, staffing, directing and controlling.
- **Functional areas of management.** It consists of the following functional areas:
  - **Financial management:** It includes cost control, budgetary control, financial planning etc.
  - **Personnel management:** It includes recruitment, training, promotions, retirement, industrial relations, social security, etc
  - **Purchasing management:** It consists of purchasing of raw materials, maintaining of stock records and material control etc.
  - **Production management:** It deals with production planning, quality control and inspection, production control techniques, etc.
  - **Marketing management:** It includes marketing of goods and services, price determination, channel determination etc.

- **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, behavioural science, statistics etc. are necessary.



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–

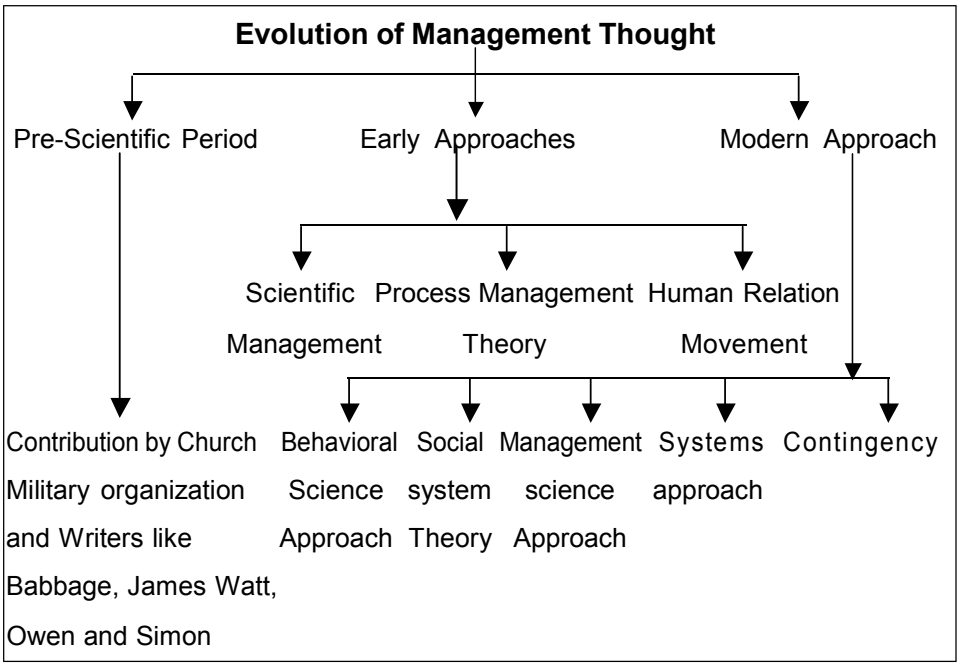
(i) Keeping records (ii) Planning

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

1.4 EVOLUTION OF MANAGEMENT THOUGHT

The evolution of management thought can be studied under the following headings:

1. Pre- scientific management period.
2. Early management approaches represented by scientific management, process management theory and human relations movement.
3. Modern management approaches represented by behavioral science movement, quantitative approach, systems approach etc



Pre-Scientific Management Period:

Early management thoughts have come from the Roman Catholic Church, military organizations, the Cameraliasts, a group of German and Austrian public administrators and intellectuals from the sixteenth centuries. Their concepts of management were mostly related to the principles of specialization, selection of subordinates and their training and simplification of administrative procedures.

In the later period, contributions were made by Charles Babbage, James Watt and Robinson Boulton, Robert Owen, Towne and Simon.

Charles Babbage was the professor of Mathematics at the Cambridge University and he suggested the use of accurate data obtained through rigid investigation in the management of an undertaking. James Watt Junior (1796-1848) and Robinson Boulton (1770-1842) used the management techniques such as market research and forecasting, production planning, planned machine layout, standardization of components and parts, elaborate statistical records, maintenance of control report, cost accounting data, provision of welfare of personnel etc.

The contributions of management thinkers stated above were limited mostly to the field of developing the concept to make resources more effective at the shop floor levels. However, the various ideas started by them have

created awareness about managerial problems. A stage was set by the end of the nineteenth century for making a systematic study of management and a beginning was made by Fredrick Taylor at the beginning of the present century whose thoughts came to be known as Scientific Management.

Scientific Management :

F. W Taylor, Gilberth, Lillian Gilberth, Gantt and others have made tremendous contributions to the concept of scientific management. Of all these persons, Taylor's contribution is the most significant and because of this, he is considered as the father of scientific management.

Taylor, the founder of scientific management movement, states that the object of management should be to secure the maximum prosperity for each employer, coupled with the maximum prosperity of each employee. According to Taylor, scientific management, in its essence, consists of a certain philosophy which results in the combination of four great principles of management, viz., the development of true science, the scientific selection of workers, their scientific selection and development, intimate and friendly co-operation between the management and their workmen. When management of a business unit is based on a systematic study and analysis of various aspects of work involved with a view to find out the best way of doing things, we call it scientific management of business. Broadly speaking, scientific management is the art of knowing exactly what is to be done and the best way of doing it.

Taylor observed that inefficiency prevails in the organization because of three causes, viz., (a) workers feel that any increase in output would lead to unemployment, (b) defective system of management and because of these, each worker restricts his output in order to safeguard his interests, and (c) inefficient *rule of thumb* efforts and wasting methods of work.



Rule of Thumb : It is a rule or principle that provides guidance to appropriate behavior.

The elements of scientific management are: (a) determination of the task, (b) planning of industrial operations, (c) proper selection and training of workers, (d) improvement in methods of work, (e) modification of organization, and (f) mental revolution.

Determination of task or workload to each employee is on the basis of method study, routing, motion study, time study, fatigue study and

differential piece- wage system. After setting the task to workers, the next step is to plan production, which requires the planning of industrial operations. This involves further considerations, viz., what work shall be done, how the work shall be done, where the work shall be done and when the work shall be done. Proper selection and training of workers and also their correct placement have to be done by the management. Further, in order to make the workers complete the task as per the conditions set by the management, there is need for improvement in the methods of work. This involves standardization of tools and equipment, speed, conditions of work and materials. Taylor also suggested modification in the organization.

For the success of scientific management, there should be a thorough change in the mental outlook of both the employees and the employer and their mutual hostility and suspicion should give place to co-operation and goodwill.

Process Management

Around 1910, Henry Fayol, a French engineer, initiated the administrative theory of management (process management) in Europe. Sheldon, Mooney and Railey, L. F. Urwick and L. Gulick also contributed a lot to the administrative theory of management. This theory is called process (functional) management and advocates of this theory belong to the process school of management.

In 1916, Fayol published his book “General and Industrial Management” in French, of which later an English edition was brought out. Fayol identified management as a separate set of skills or functions performed by a supervisor in an organization. He clearly distinguished the difference between technical and managerial skills and emphasized that supervisor should be efficient in both. He stated that technical ability is more dominant at the lower level of management, whereas managerial ability is more important at the higher level of management.

Fayol, in his famous book, stated fourteen management principles that can capture the entire flavor of the process management theory.

The fourteen principles of management are:

(1) Division of work, (2) Authority, (3) Discipline, (4) Unity of Command

(5) Unity of Direction (6) Subordination of individual interest to the general interest (7) Remuneration (8) Centralisation (9) Scalar chain (10) Order (11) Equity (12) Stability of tenure of personnel (13) Initiative (14) Espirit de corps (Spitit of cooperations).

Fayol also stated that all operations in business organizations can be classified under six heads, viz., (a) technical production and manufacturing, (b) commercial (purchases and sales), (c) financial (financing and controlling of capital for its optimum use), (d) security (protection of property and persons), (e) accounting (stock-taking, balance sheet, costing and statistics), and (f) managerial (planning, organizing, communicating, co-coordinating and controlling).

Human Relations Movement

Elton Mayo, who is considered to be the founder of human relations movement, and his associates, conducted the Hawthorne Studies in the Hawthorne plant of Western Electric Company, USA during 1927-1932. They stated that the employees' morale had a great influence on productivity and the manager should treat them as social beings instead of economic beings. For solving any management problem, the manager should understand group attitudes and psychology, as employees are members of a group.

His approach and theory emphasized the importance of human and social factors and also individual as well as group relationships, while the classical theory of Taylor and Fayol gave importance to job content and management of physical resources.

This theory is criticized on the ground that there is no direct connection between morale and productivity. In spite of these criticisms, the contribution of human relations remains and are being applied even today by managers.

Modern Management Approaches

Behavioural Science Movement**:** The behavioural science approach through its research studies of individual behaviour and motivation indicated that the relation between morale and productivity was oversimplified and there was no direct or deep connection between morale and productivity.

The behavioural science movement which started after 1940 emphasized the importance of individuals and their interpersonal relationship,

psychology of the individuals as related to personal needs and motivation and motivational potential in people. The important contributors to the behavioral science movement are A. H. Maslow, F. Hertzberg, V. Vroom and D. Mc Gregor. While Maslow developed a need hierarchy theory to explain human behaviour within an organization, Hertzberg and Vroom developed motivational models, which explained the causes of human behaviour and motivation in business. Behavioural science movement has drawn heavily on the work of Maslow to explain human behaviour and the dynamics of motivation process. McGregor developed his two theories, viz., Theory X and Theory Y and also explained certain basic assumptions about the human element. The classical theory reflected almost all the aspects of Theory X while the behavioural approach theory of management reflected almost all the aspects of Theory Y.

Elements of Neo-Classical Theories. This theory may be stated as follows.

It may be noted here that the theories started by Taylor and Fayol are called by some writers as *Classical theories* while the theories started by the human relations movement and the behavioural science movement are called *neo- classical theories.*



CHECK YOUR PROGRESS

Q 2: Choose the correct answer-

(A) Who is the father of scientific management?

(i) Henry Fayol (ii) Elton Mayo (iii) F. W. Taylor

(iv) Gilberth

(B) Administrative theory of management was developed by–

(i) F. W. Taylor (ii) A. H. Maslow

(iii) L. Gulick (iv) Henry Fayol

(C) The fourteen principles of management were developed by–

(i) F. W. Taylor (ii) Henry Fayol

(iii) Elton Mayo (iv) L. F. Urwick

(D) The era of human relations was initiated by–

(i) Henry Fayol (ii) A. H. Maslow

(iii) Elton Mayo (iv) None of the above.

(E) The contribrutors to behavioural science movement were-

(i) Henry Fayol and L. F. Taylor

(ii) Elton Mayo and L. F. Urwick

(iii) A. H. Maslow and Mclaregor

(iv) None of the above.

1.5 ADMINISTRATION VS MANAGEMENT

Different writers use the terms 'administration' and 'management' in different senses. Some of them 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. Henry Fayol who is regarded as the real originator of management has pointed out that 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". (Thus, according to him, both the terms are synonymous and any distinction between the two is misleading.)

According to another school of thought, administration and management are different functions. According to this school, administration is a top level function, which centers around 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:

- Administration is concerned with policy making while management is concerned with implementation of policy.
- Administration is a thinking function and management is a doing function.
- Administration relates to the apex and top-level management whereas management relates to middle and lower level management.
- Administration needs administrative rather than technical ability but management requires technical ability more than administrative ability.

1.6 LEVELS OF MANAGEMENT

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



Demarcation: The boundary of a specific area

1. Top Level Management

Top management constitutes the highest level in the management hierarchy. 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. They decide the enterprise objectives, policies and strategies to be pursued to achieve those objectives. They provide direction to the organization by guiding the organization's interactions with its environment.

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. Their principal responsibilities are to direct the activities of lower level managers who implement the organization's policies.

3. Frontline or Lower Level Management

Managers who are directly responsible for the production of goods and services are frontline/lower level managers. Managers at this level direct the operating employees (workers). They are close to the action, for their job involves supervising the activities of the operatives. Frontline managers are called foreman, supervisor, superintendent, and inspector and so on.



1.7 FUNCTIONS OF MANAGEMENT

Henry Fayol in the early part of 20th century classified the functions of management as planning, organization, command, coordination and control. Luther Gulick classified the 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 difference is that he divided the function of controlling into reporting and budgeting.

1.7.1 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. It involves selection of objectives, strategies, policies, programme and procedures for achieving them.

Planning function is performed by managers at every level because planning may be either for the entire enterprise or for any section or department thereof.

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:

Top-down approach: In most family-owned enterprises, 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.

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.



ACTIVITY 1.1

1. Judge the relative advantages and disadvantages of top- down and bottom- up approaches to planning.

1.7.2 Organising

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.

1.7.3 Staffing

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

1.7.4 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 toward 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 ends, is called desired co- ordination.

Planning and execution in spite of the best efforts by the management cannot be effective if there is no co-ordination of activities of different specialists and also of different departments of the concern.

1.7.5 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,
e. Taking corrective actions to ensure attainment of objectives

For control to be effective and fruitful it must be based on a plan; there must be measurement of actual performance to ascertain deviations and to take action to remedy the deviations.

Accordingly, control can be of *three types*:

1. **Feed-forward Control:** Feed-forward control, as the name suggest, 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.



CHECK YOUR PROGRESS

Q 3: Write true or false for the following sentences

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

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

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

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

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

Q 4: Choose the correct answer–

(a) Chairman of a company belongs to-

(i) Top management (ii) Middle management

(iii) Lower management (iii) None of the above

(b) Overall strateqies are converted into goals by–

(i) Top level managers (ii) Lower level managers

(iii) Both (i) and (ii) (iv) Middle level managers

(c) Planning function is done by–

(i) Top level managers (ii) Middle level managers

(iii) Lower level managers (iv) All of the above

(d) The functions of organising involves–

(i) Formulating organisational objectives

(ii) Recruiting people for the organisations

(iii) Determining activities for achievement of organisational objectives

(iv) All of the above.

(e) Staffing function is not concerned with–

(i) Selection of people for the organisation

(ii) Remuneration of employees

(iii) Determining standards of measurement

(iv) Performance oppraisal of emplayees.

1.8 MANAGEMENT STYLES IN INDIAN CONTEXT

It is very difficult to generalize the Indian styles of management. Based on the type of organisation and qualities of worker, situations etc. the management styles vary. Indian organisations can be classified into three types based on their management styles. Such classifications may be

- **Family managed traditional organisations:** Generally these organisations adopt autocratic style of leadership. These organisations are highly centralized in their organizational structure and authoritarian in their approach.
- **Professionally managed Indian organisations:** These organisations prefer participative or democratic styles of leadership.
- **Public sector organisations:** Here bureaucratic styles are applicable. Indian management style is also influenced by the society and its culture. In India, we have different types of managers with different qualities and different educational background. We find the just literate managers along with fully qualified professional managers. The former type of managers prefers authoritarian style but the latter prefers participative style.



1.9 LET US SUM UP

In this we have discuss the following aspects of Management :-

- Management consists of getting things done through others by directing their efforts in an integrated and coordinated manner for achievement of business objectives. It is a process consisting of functions such as planning, organizing, staffing and controlling the business operations in such a manner as to attain predetermined goals.
- The evolution of management thought can be classified into three stages, viz, (i) pre-scientific management period, (ii) early management approaches represented by scientific management, process

management and human relations management and (iii) modern management approaches represented by behavioural science movement, quantitative approach, social system approach etc. Each of these approaches has made a distinctive contribution to management theory.

- 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.



1.10 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.
4) Massie Joseph (2007). Essentials of management. New Delhi, Prentice – Hall of India Pvt. Ltd.

1.11 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: (A) (iv) (B) (iv) (C) (iv)

Ans to Q No 2: (A) (iii) (B) (iv) (C) (ii)
(D) (iii) (E) (iii)

Ans to Q No 3: (i) True, (ii) False (iii) False (iv) True (v) True.

Ans to Q No 4: (a) (i) (b) (iv) (c) (iv)
(d) (iii) (e) (iii)



1.12 MODEL QUESTIONS

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

Q 2: Discuss the scope of management.

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

Q 4: What is the top- down approach to planning?

Q 5: What is coordination?

Q 6: What does controlling mean?

Q 7: Write short notes on (i) Human Relations Management (ii) Modern Management.

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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 Readings

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
- discuss 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 have 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. The different theories are categorized under various approach like classical, neo classical and modern.

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. The

development of management thoughts can be understood by delineating the process over the entire time span till date. 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 development in management thought that mark the beginning of the systematic study of management. 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 standardised 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.

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. Screws and bolts to be used in automobile industry, we need screws and bolts of same size, same shape and same quality. To that extent we shall need same raw material, same production process. Standardization take care of all the aspects.

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. He stressed the importance of maximising output.In spite of the challenges like inadequate availability of man-power, raw-material, production facility etc.

v) **Development of workers to the maximum extent :** Scientific management underlines the need for scientific selection and training of the workers in order 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 considerations, 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 could be 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 capital 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 manager. 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 not exhaustive but suggestive in nature. ii) they are not rigid but flexible. The various 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 administered by management.
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 largescale 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 'union 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 consist 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.

Similarity. The main points of similarity between Taylor and Fayol may be stated as follows:

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.

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 was 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 of Fayol 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 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 Mc Gregor etc.

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 behaviour 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 . 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. 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 aspect 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 first 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 workers 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 being 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.

Criticisms of Hawthorne Experiments

Though Hawthorne Experiments is counted as one of the revolutionary developments in the field of management, it was not free from analysis and criticisms. Some of the major criticisms have been presented as follows:

i. It is considered to be a biased opinion of the researchers.
ii. Factors like role of unions, class consciousness, attitudes that workers bring in to the workplace were ignored.
iii. The Hawthorne plant was an unpleasant place of work and hence the findings cannot be generalised.
iv. It assumed workers as someone to be manipulated by the management and as a means to an end but not the end itself.

Despite these limitations, Mayo's Hawthorne experiments take the credit of discovering the importance of human factor in managing an organisation.



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. 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 manger 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, was the most widely known contemporary thinker of management. Through his consultancy assignments, Drucker 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 are stated below.

1. **Nature of Management:** Drucker emphasises innovation and creativity as the basic objective of management and he was totally against the idea of bureaucratic management. He treated management as a discipline having its own tools, skills,

techniques and approaches. Drucker also highlights the practice aspect of management.

2. **Management functions:** According to Drucker, 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 help the organisation achiving its purpose and goal with its workforce in a socially responsible manner.
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 methods.
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 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 identified major aspects for making the organising function effecive. He laid stress on identifying the activities to be performed in light of its execution and future impact.
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 managements 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.

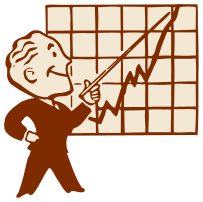
2.6.2 Quantitative or Management Science Approach

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

vii) 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 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 suggesting what should be done in response to an event in the environment. This is also known as situational approach, and it 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.

Limitations of contingency approach

Contingency approach suffers from certain limitations, which cannot 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 the theories which may be developed by using modalities.

4) It study what happens under a given situation?

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 aspects :-

- 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 mark 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, Likert etc.

- 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 READINGS

1) Koontz, H. & Weihrich, H. Essentials of Management,Tata McGraw Hill,New Delhi
2) Terry, G.R. Principles of Management
3) Prasad, L.M. Principles and Practice of Management.

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 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: PLANNING

UNIT STRUCTURE

3.1 Learning Objectives

3.2 Introduction

3.3 Meaning and Features of Planning

3.4 Importance of Planning

3.5 Types of Plans

3.6 Steps in Planning Process

3.7 Limitations of Planning

3.8 Terms Used In Planning Process

3.9 Let Us Sum Up

3.10 Further Readings

3.11 Answers to Check Your Progress

3.12 Model Questions

3.1 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 the planning process
- analyse the limitations of planning
- discuss the different terms used in the planning process

3.2 INTRODUCTION

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 also be able to prepare plans as we will discuss in the unit the steps involved in the preparation of plans.

3.3 MEANING AND FEATURES OF PLANNING

In the earlier unit (Unit- 1) we have discussed the functions of management- planning, organizing, staffing, directing and controlling. In this unit we will concentrate on the planning function of management.

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 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?

Features of planning

Now let us focus on the features of planning. The main features of planning are-

- **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.
- **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.
- **Pervasiveness of Planning:** We are aware that there are three levels of management- Top, Middle and Lower, as discussed in Unit 1. The manager of 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) .....

3.4 IMPORTANCE OF PLANNING

In this section we will deal with the importance of planning. Planning is important in all organisations be it small or large, private or public, with profit motive or without profit motive. The importance of planning may be discussed as under-

- **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.
- **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.
- **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 2.1

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

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3.5 TYPES OF PLAN

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

- **Corporate plan:** This type of plan 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 plan:** It is a plan for the major functions of the organization. It is formulated within the purview of corporate plan. 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., a functional plan 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 plan:** Operational plan 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 Plan	Functional Plan	Operational Plan
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.

Table: Differences between corporate, functional and operational plans



CHECK YOUR PROGRESS

Q 3: Fill in the blanks-

i. Corporate plan is formulated by the ..... level of management.

ii. Functional plan is undertaken for the ..... of the organization.

iii. Corporate plan is ..... in nature.

iv. Functional plan is prepared on the basis of ..... plan.

v. Functional plan provides the basis for ..... plan.

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

i. .....

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ii. .....

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3.6 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-

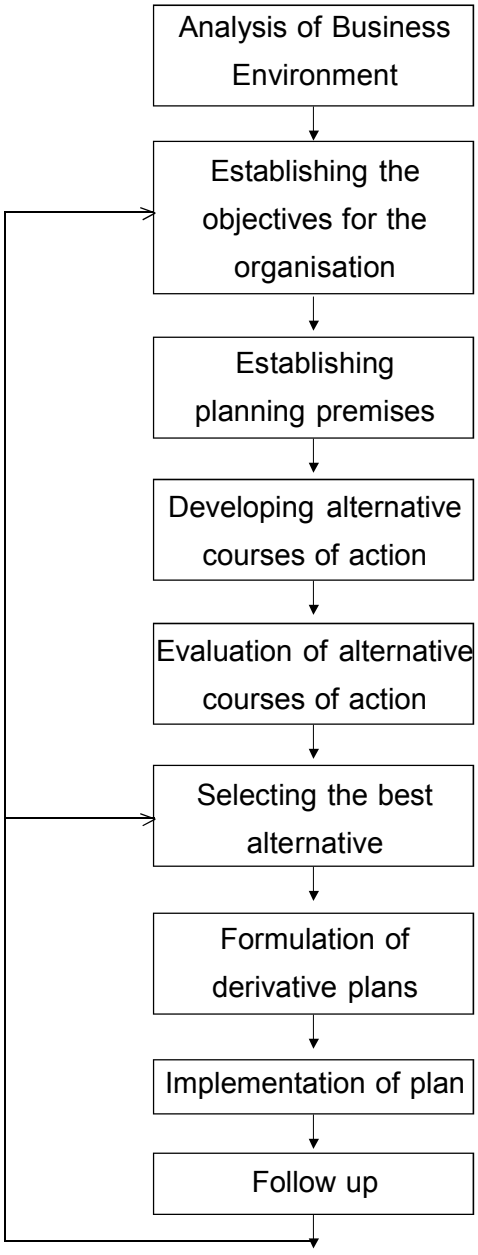


Figure: Steps in planning process

- **Analyzing 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 of utmost importance for the organization. Though in strict sense it is not a step in the 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 plan. 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. These 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?

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ACTIVITY 2.2

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

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3.7 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 theses 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:** 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

Q 7: State two limitations of planning.

i. .....

ii. .....

3.8 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

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.



3.9 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.



3.10 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.



3.11 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



3.12 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.

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UNIT 4: DECISION- MAKING

UNIT STRUCTURE

4.1 Learning Objectives

4.2 Introduction

4.3 Meaning of Decision and Decision- Making

4.4 Types of Decisions

4.5 Process of Decision- Making

4.6 Individual and Group Decision- Making

4.7 Techniques of Decision- Making

4.8 Let Us Sum Up

4.9 Further Readings

4.10 Answers to Check Your Progress

4.11 Model Questions

4.1 LEARNING OBJECTIVES

After going through this unit you will be able to:

- define decision and decision- making
- discuss the different types of decisions
- describe the process of decision- making
- differentiate between individual and group decisions
- explain the different techniques of decision- making

4.2 INTRODUCTION

In the earlier unit we have discussed the first managerial function- planning. Planning is important in organizational context as well as in our daily life. We know that planning is a step by step process. But it is a never ending process. It begins with analysis of the environment and it may require readjusting the objectives or the derivative plans.

In planning, we face some situations like, who will do it? How will it be done? Where it will be done? etc. Answering these questions means taking some decisions. Thus, decision- making is an element in the planning process. Decision- making is important in our life as well as in business

organizations. Managers spend considerable amount of time in making decisions. Good decisions increase organizational efficiency.

In this unit we will discuss the meaning of decision and decision-making. Then we will discuss the different types of decisions and the process of decision- making. We will also take into account the advantages and disadvantages of the decisions taken by an individual and by a group and at the end of the unit we will focus on some techniques of decision- making.

4.3 MEANING OF DECISION AND DECISION- MAKING

Perhaps you have come across some situations when you toss a coin. The coin is tossed to make a choice. We toss the coin when we face a conflicting situation like, whether to watch a movie or read a book, whether to spend Rs. 500 by buying something or to save it for the future etc. Likewise, different situations may come in our life where we have to choose a particular option by giving up other options. Of course, the difficulty of making a decision will vary depending on the problem. When we make a choice, actually we make a decision. That decision is taken by considering certain factors relevant to the situation which guides us in taking the decision.

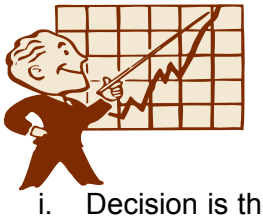
Therefore, decision may be defined as a choice which is made out of the available alternatives. It implies that to make a decision, there must be some alternatives. These alternatives are analysed and finally a particular alternative is selected i.e. the decision is taken. If there are no alternatives we have no option to select.

To arrive at a decision we follow certain steps which begin with the analysis of the problem and finally we select the best alternative. The review of the decision is also important to verify whether it meets the need of the decision making situation. This process is known as decision- making. Decision- making involves the selection of a particular course of action. It is a mental activity requiring the consideration of different factors to make the best decision.

A decision is required to make where there is a problem or an opportunity. The decision- making process requires that the nature of the

problem or the opportunity must be clearly stated. It leads to finding out the probable solutions to the problem or the means to grab the opportunity. Then the best solution or the best means is selected to solve the problem or to seize the opportunity. Thus, decision- making is –

- an action: selecting the best alternative; and
- a process: the steps to select the best alternative.



CHECK YOUR PROGRESS

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

i. Decision is the selection of the best alternative.
ii. Decision- making situation arises where there are no alternatives.
iii. The problem must be properly defined for decision- making.
iv. Decision- making is not a process.

4.4 TYPES OF DECISIONS

Now, you are familiar with the words 'decision' and 'decision- making'. In our life we make various decisions. Some of them may relate to our day to day activities which need little thinking. For example, attending the class, meeting a friend etc. On the other hand, some other decisions are taken once in a life. These decisions need considerable amount of thinking. For example, before taking admission in B.Com programme of this university, you may have spent much time in taking the decision. Similarly, in the organizational context, managers have to make various decisions which may relate to the day to day operations of the organization as well as the decisions of making huge investment in a new project, construction of a factory etc.

The various types of decision may be classified as under-

- **Programmed decisions:** These decisions are recurring in nature. These decisions are taken on the basis of organizational policies. These policies are pre- established and depending on the terms of the policy, programmed decisions are taken. These decisions are taken at the lower level of the management by following the predetermined procedure. For example, purchase of inventory for the production

department, releasing the materials from the godown etc.

- **Non- programmed decisions:** These decisions are non- recurring in nature. They relate to unusual situations for which there is no predetermined organizational policy. The decision makers have to consider different alternatives before taking the non-programmed decision. These decisions have long- term impact on the organization and they are taken by the top level management. For example, taking over an existing company, introducing a new product in the market etc.

The distinctions between programmed and non- programmed decisions may be stated as under-

Programmed decisions	**Non- programmed decisions**
1. These decisions are recurring in nature.	1. These decisions are non-recurring in nature.
2. These decisions are guided by organizational policies, procedures etc.	2. These decisions are guided by the factors of the particular situation.
3. These decisions are taken by the lower level management.	3. These decisions are taken by the top level management.
4. Here, the problems are structured.	4. Here, the problems are unstructured.



CHECK YOUR PROGRESS

Q 2: Some decision- making situations are given below. You have to select the programmed and non- programmed decisions from the following-

i. Promoting an employee to a higher level post in the organization.

.....

ii. Introducing a new product in the market.

.....

iii. Purchasing a machinery to be used in the factory.

.....

iv. Issuing raw- materials from the store.

.....

v. Allowing discount to regular customers.

.....



ACTIVITY 3.1

"Non- programmed decisions are more complex than programmed decisions". Do you agree with the statement? Give reasons for your answer.

……

……

……

4.5 PROCESS OF DECISION- MAKING

The decision- making process involves certain steps which the decision maker takes in taking decisions. A systematic following of steps helps the decision maker in making quality decisions. The process of decision making is generally followed for non- programmed decision. For programmed decisions, the managers follow the policies which are already in force for taking such decisions.

The steps in decision- making can be shown as under:

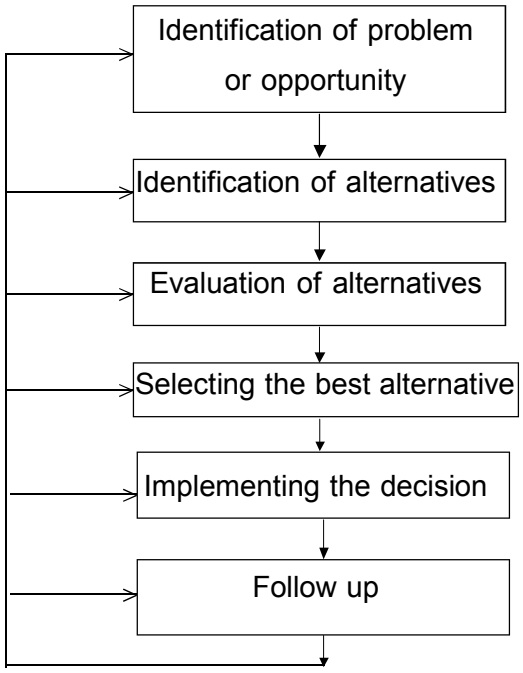


Figure: Decision- making process

- **Identification of problem or opportunity:** Decision making situations arise if we confront some problems or perceive some opportunities. When differences occur between standards of performance and actual performance, it indicates the existence of a problem and the manager wants to solve the problem. That is, he needs to take some decisions to solve the problem. Similarly, when the manager perceives some opportunities i.e. when he visualizes a chance to achieve more than the present state, decision- making becomes important to capture that opportunity. Therefore, the first step in decision- making process is the identification of the problem or the opportunity.
- **Identification of alternatives:** The next step in decision- making is to identify the viable alternatives to solve the problem or to capture the opportunity. In generating the alternatives, the manager can use his past experience as well as generate new alternatives in the light of the changed situation by utilizing his **creativity**. The manager can also observe the methods followed by others in similar situations. In selecting the alternatives the manager must take into account the strengths and weaknesses of the organization.
- **Evaluation of alternatives:** In this step the alternatives selected are analysed in detail with the motive of selecting the most viable alternative. In this respect the manager must keep in mind the organizational objectives and the limiting factors of the particular decision situation.
- **Selecting the best alternative:** The next step in the decision- making process is to select the best alternative. The evaluation of alternatives helps the manager in considering their consequences. After comparing the consequences the manager can chose the best alternative.
- **Implementing the decision:** This is the step of implementing the decision to solve the problem or to capture the opportunity at hand. The manager must ensure the effective implementation of the decision in the organization. Effectiveness of the decision depends on its acceptability by the subordinates. For this the manager must communicate the decision to them to get their support.
- **Follow up:** The aim of implementing the decision is to solve the

problem or to take the opportunity. Therefore, the manager must evaluate the result of the decision. The follow up of the decision will help him in adjusting the decision for any distorted result. For a decision to be considered as the best, it must fulfill the conditions of the decision situation.



CHECK YOUR PROGRESS

Q 3: State whether the following statements are true or false-

i. Decision- making is a step by step process.

ii. Evaluation of alternatives is not a step in decision- making process.

iii. Follow up action is necessary to judge the success or failure of the decision.

iv. Communication of the decision to the subordinates is not necessary for successful implementation of the decision.

v. Consideration of organisational capability is not important in identifying the possible alternatives for decision- making.



ACTIVITY 3.2

"Creativity helps in improving the quality of decision." As a manager, do you agree that creativity is important in decision- making?

.....

.....

.....

4.6 INDIVIDUAL AND GROUP DECISION- MAKING

In this section, we will discuss the approaches to decision- making. An organization is a group of people working together to achieve certain objectives. This group of people consists of superiors and subordinates occupying different positions in the organization. They have their respective duties and responsibilities depending on the position of their jobs in the

organisation. In their respective capacities they make some decisions keeping in mind the organizational objectives.

As a decision maker, the manager may himself make some decisions or he can ask the subordinates to participate in the decision-making process. When the manager makes the decision individually, it is known as individual decision. On the other hand, when the manager takes the help of his peers and his subordinates in making a decision as a group, it is known as group decision.



Peer : Person with equal standing with regard to rank, class, age etc.

Both individual and group decisions have their own merits and demerits. Therefore, it is the analysis of the situation which will help the manager in deciding whether he should make individual decision or resort to group decision- making.

Let us first discuss the factors for analysing the situation and then the merits and demerits of individual decision and group decision.

Factors for analyzing the situation

The following factors help in the analysis of the decision situation-

- **Type of problem:** If the problem can be solved by following the specific policies laid down by the organization, then individual decision- making will serve the purpose better than group decision- making. Therefore, for the programmed decisions, the manager can resort to individual decision- making. On the other hand, if the problem requires different qualities to find out the most effective solution, the manager can go for group decision- making.
- **Time factor:** The time factor for making a decision also determines whether the manager should go for individual or group decision- making. If sufficient time is available for making the decision, group decision-making can be a better option than individual decision- making.
- **Organizational climate:** Individual decision- making or group decision-making is also determined by the organizational climate. Group decision- making is encouraged in organizations which follow participative culture. On the other hand, if the organizational culture is characterized by autocracy, the managers prefer individual decision-making.

- **Legal conditions:** The legal conditions also determine the individual decision- making or group decision- making. For example, the Companies Act, 1956 specifies that certain decisions should be taken by the Board of Directors i.e. group decision- making.

The factors discussed above helps in deciding the individual or group decision- making in particular situations. Now, let us consider the merits and demerits of individual and group decisions.

Group Decisions	
Advantages	**Disadvantages**
1. The group can gather more information.	1. Group decisions are time consuming.
2. The group can generate more alternatives.	2. The quality of decision may suffer, if the group members try to maintain good relationship among themselves sacrificing the real issues.
3. Implementation of the decision becomes easy.	3. One or two members may dominate the group.
4. Subordinates can develop decision- making quality.	4. Lack of experience of subordinates may make the process ineffective.

Individual Decisions

Advantages	Disadvantages
1. Individual decisions consume less time.	1. An individual may not be able to collect all the relevant information required for decision-making.
2. An experienced decision maker to perceive all the viable alternatives.	2. An individual may not be able can make quality decisions.
3. Individual decision saves time of other members of the organisation.	3. Implementation may become difficult in the absence of subordinates' support.
4. In times of emergency, individual decisions serve the best purpose.	4. Subordinates cannot develop decision- making quality.



CHECK YOUR PROGRESS

Q 4: Mention two advantages and two disadvantages of group decision.

Advantages

i. .....

ii. .....

Disadvantages

i. .....

ii. .....

4.7 TECHNIQUES OF DECISION- MAKING

After discussing the advantages and disadvantages of individual and group decisions, now we will discuss some of the techniques of decision-making. The following are the quantitative decision- making techniques-

- **Operation Research (OR):** Operation research techniques are used for decision- making where the different elements of the problem can be expressed in numerical terms. The relationship among these elements is studied and decision is taken after studying the relationship. With increased complexity in business decision- making, it becomes important for the managers to make quick and sound decisions. The OR techniques help the managers in this respect. OR techniques are used in the areas of production, material handling, material control, distribution of products etc. A manager often faces the problem of allocation of resources for different activities of the organization. OR techniques of decision- making help him in the optimum allocation of scarce organizational resources.
- **Decision Tree:** Decision tree is a graphical method of taking decision. Those problems which need to be solved step by step can be taken with the help of decision tree. This technique is used where the results of different steps are interdependent i.e. the second step depends on the result of the first step, the third step depends on the result of the second step etc. It helps the manager in finding out the possible

alternatives and he can concentrate on the critical factors of the problem.

- **Linear Programming:** It is a mathematical technique of decision-making. Where the managers face the problem of allocation of scarce resources, linear programming can be used to find out the best possible strategy for solving the problem of resource allocation. It shows the relationship among the various limiting factors which are expressed in mathematical terms.

The following methods are used for group decision- making-

- **Brainstorming Method:** Under this method, the problem at hand is presented before a group. The group members are asked to contribute possible ideas for the solution of the problem. At this stage the merits and demerits of the ideas are not analysed. Instead, they are recorded first and then these are analysed one by one. Finally, the best possible solution is selected for solving the problem.
- **Nominal Group Method:** This is another method of group decision-making. Under this method, the group leader outlines the problem before the group and members are asked to write down their ideas. Then they present their ideas and the group discusses these ideas. The group members are then asked to rank the ideas and the idea which receives the highest ranking is selected as the solution of the problem.
- **Delphi Method:** In Delphi method, as a first step, a questionnaire is prepared concerning the problem. In the second step, the questionnaire is circulated among the group members and they are asked to fill in the questionnaire as a response to the problem at hand. In the third step, responses are compiled. Fourthly, they are sent to all the group members and they are asked to develop new ideas after studying the responses of all other group members. The last two steps are repeated until a consensus is reached on the best solution for the problem. An important feature of this method is that without any face to face contact among group members, the decision is taken.



CHECK YOUR PROGRESS

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

i. Decision tree is a graphical method of decision- making.

ii. Linear programming helps the manager in solving the problem of resource allocation.

iii. In nominal group method of decision- making, members do not come into face to face contact.

iv. In Delphi method, questionnaires are circulated among group members.

v. Brainstorming method is not a group decision- making method.



ACTIVITY 3.3

"Success of an organisation depends on the quality of the decisions taken." Give your comments.

.....

.....

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.....



4.8 LET US SUM UP

In this unit we have discussed the following-

- Decision means choosing the best possible alternative out of the available alternatives.
- Decision- making refers to the process of choosing the best possible alternative by rejecting other alternatives.
- Decisions are mainly of two types-

- Programmed decisions, which are taken according to the prescribed procedure of the organization; and
- Nonprogrammed decisions, which are taken by considering the different factors of the particular decision- making situation.

- The steps involved in decision- making process.
- The situations which indicate the preference for individual decision-making or group decision- making.
- Individual decisions have some advantages. For example, it consumes less time and in situations demanding immediate solution, individual decision is the most suitable.
- At the same time individual decisions have some disadvantages also in the form of inability of the decision maker to perceive all the viable alternatives, no scope for subordinates to develop decision- making quality etc.
- Group decisions have some advantages like, the group can gather more information, implementation of the decision becomes easy etc.
- Group decisions also suffer from serious disadvantages like, it takes more time, inexperienced subordinates may not be able to visualize the complete situation etc.
- The quantitative techniques of decision- making like, linear programming, decision tree etc.
- The group decision- making techniques like, Delphi method, brainstorming method etc.



4.9 FURTHER READINGS

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

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

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



4.10 ANSWERS TO CHECK YOUR PROGRESS

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

Ans to Q No 2:

i. Programmed
ii. Non- programmed
iii. Non- programmed
iv. Programmed
v. Programmed

Ans to Q No 3: i. True ii. False iii. True
iv. False v. False

Ans to Q No 4:

Advantages

i. As a group, more alternatives can be generated.
ii. Subordinates can develop decision- making quality.

Disadvantages

i. Group decisions are time consuming.
ii. Quality of the decision may suffer if group members try to maintain good relationship among them sacrificing organizational interest.

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



4.11 MODEL QUESTIONS

Q 1: Differentiate between programmed and non- programmer decisions.

Q 2: Discuss the process of decision- making.

Q 3: Explain the advantages and disadvantages of group decisions.

Q 4: Write short notes-

i. Brainstorming method.

ii. Delphi method.

*** ***** ***

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 Readings

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 first unit you have discussed the basic concept of functions of management i.e. Planning, Organisating, Staffing, Directing and Controlling. In the third unit, the first function of management viz., planning, is explained thoroughly. This enables you to know how to decide the future course of action. The first function, planning is concerned with thinking process.

In this unit you will study how to arrange the various resources including employees in an 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. In this unit we will discuss 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 or 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 whereas organisation 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 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 purpose of enabling people to work together most effectively in accomplishing objectives."

Koontz and O' Donnell defined 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 :

a) identifing and grouping of work,

b) defining the responsibility,

c) delegating of 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 :

- **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 provide certainty and promptness in the doing of the work without any hassle.
- **It promotes specilization :** 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.

- **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.
- **It clarifies authority and power :** The process of organising clarifies the authority of management of the different departments. It minimises the conflict and confusion about the powers of managers.
- **It acts as a source of support, security and satisfaction :** It provides a definite status and position in relation to others within the organisation.
- **It ensures better communication :** Organisation structure provides a network of relationships. This makes interaction and communication among the members and departments of the organisation more effective.
- **It stimulates creative and innovative thinking :** Identified areas of work and delegation of proper amount of authority promote creativity and innovativeness among the empolyees, in their respective fields as well as in the organisation as a whole.
- **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.
- **It provides scope for training and development:** Management personnel are trained to acquire a wide and varied experience in diverse activities by their placement in different jobs through job rotation and thus they are prepared for higher jobs 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 ORGANISATION

The principles of organisation are the guidelines to build a sound organisation. Management thinkers such as Henry Fayol, F. W. Taylor, Unurick have suggested various principles of organisation. Some of these principles are explained below:

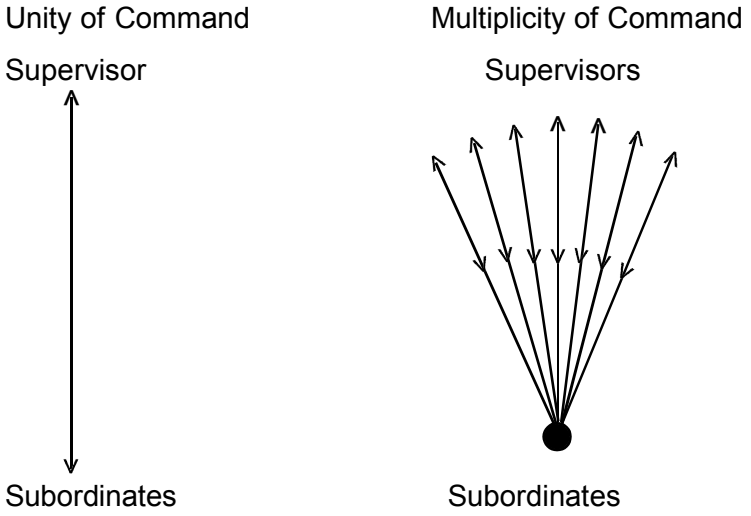
- **Unity of Objectives :** An organisation is a mechanism to accomplish certain objectives. The principles of unity of objectives state that every part of the organisation should pull together to accomplish those predetemined objectives. If there is no common aim and the various departments set up their own objectives then there is a possibility of conflicting objectives for different departments.
- **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.
- **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 whom he receives the 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,

c) to fix responsibility for mistakes



- **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 resonable 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.
- **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.
- **Principle of Efficiency :** According to this principle,the organisational structure should enable the enterprise to attain objectives with the lowest possible cost viz; money and humen resource. It advocates for the optinum use of its human and other scarce resources

- **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 resolved by the subordinates themselves.
- **Principle of Authority and Responsibility :** The person to whom responsibility for performing any duty is assigned should be given adquate 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 liable to his superior.
- **Principle of Balance :** A balance should be established between different departments and sub-departments through co-ordination and co-operation. There should also be the balance in the formal structure of the organisation between the factors having conflicting claims, for example, between centralisation and decentralisation, between span of supervision and lines of communication and authority allocated to departments and personnel at various levels.
- **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.
- **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 simiply means the systematic arrangement of people working in the organisation 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 organisation or 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, the superior 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 organisational 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.

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.

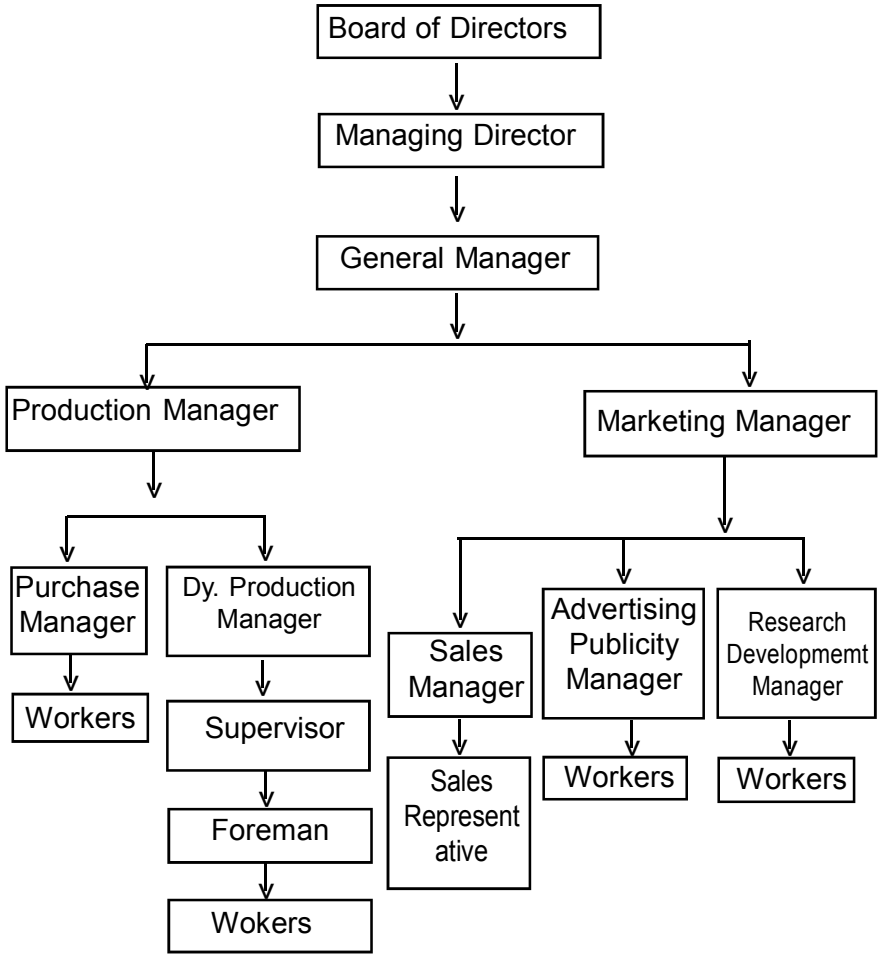


Figure : Line - Organisation

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 type 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 diversifiction 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 advise 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.

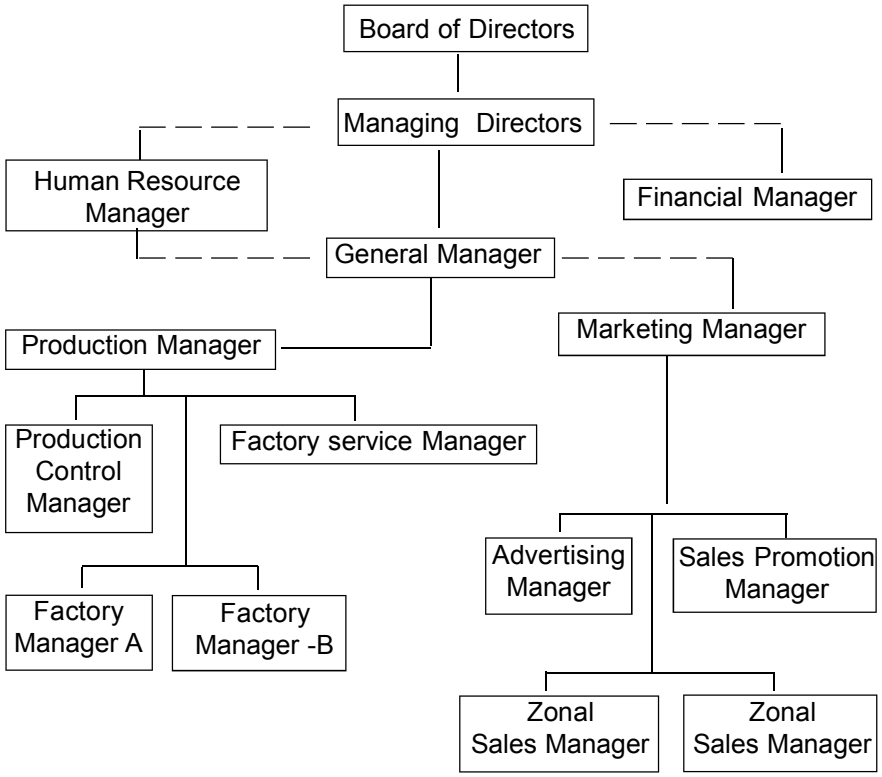


Figure : Line and Staff structure

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 other important activities.

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

c) The undisturbed 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 a 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 4.1

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

3. Functional organisation or Structure :

F. W. Taylor is the exponent of the Functional Organisation Structure. In this type of structure, there are separate departments to look after different lines of activities. 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.

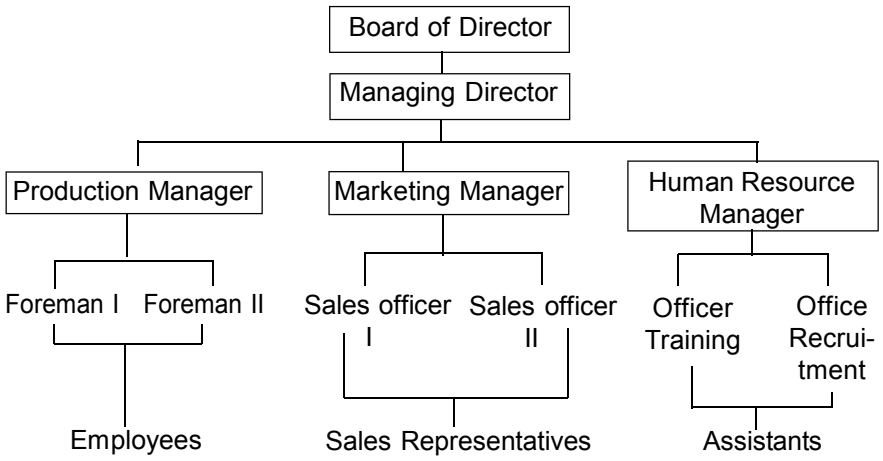


Figure : Functional Organisational Structure

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.



CHECK YOUR PROGRESS

Q 5: What is functional organisational structure?

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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 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 is 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 project organisation 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 form.

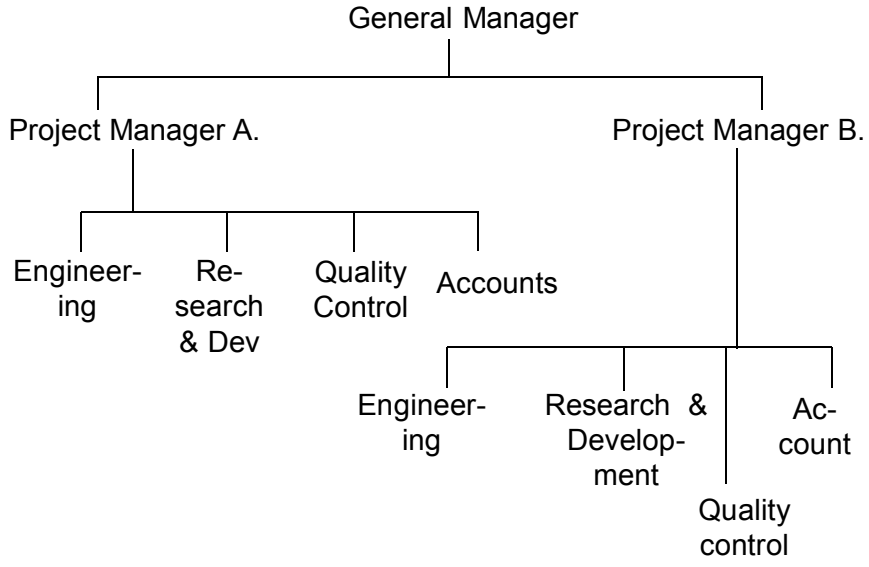


Figure : Project Organisation

Let us discuss the merits and demerits of Project organisations:

Merits :

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

b) It makes use of specialised knowledge and skill.

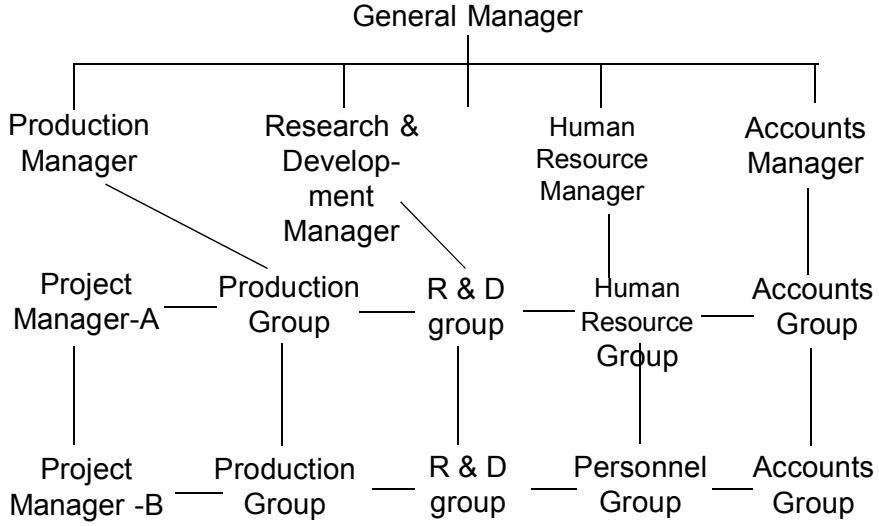
Demerits :

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 this type 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.



Like other structures Matix 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 time.



CHECK YOUR PROGRESS

Q 6: Write two merits of project organisation.

i) .....

ii) .....



4.7 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 for all the resources available. It involves in -

i) identifying and grouping of work on some logical basis;

ii) delegating authority;

iii) establishing structural or formal relationship; and

iv) co-ordinating 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, they are to be used.

● Organising efforts help the managers to reduce the possibility of duplication

of efforts and idle or unutilised resources.

- Organisational structure designs the various types of relationship among the people working in an organisation. It helps them to communicate and interact with another or with groups to achieve the pre-determined desired goal smoothly. A single type of relationship can not be suitable for different occassions and different nature 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 confliet among the employees.

Ans to Q No 3: This principle states that a subordinate should receive order

only from one superior and the subardinate should be accountable only to that superior. The main objectives of this principle are–

(i) to avaid conflect 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 objecives. 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: In functional organisational structure, there are separate departments to look after different lines of activities of the organisation. The functions are done through specialised knowledge and advice. The departments are formed on the basis of the division of work.

Ans to Q No 6: (i) It can be structured according to organisational need,

(ii) It uses the specialised knowledge and skill.



5.10 MODEL QUESTIONS

Q 1: What is meant by 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 Matix Organisation Structure.

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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

6.8 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 difference 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 for the 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.

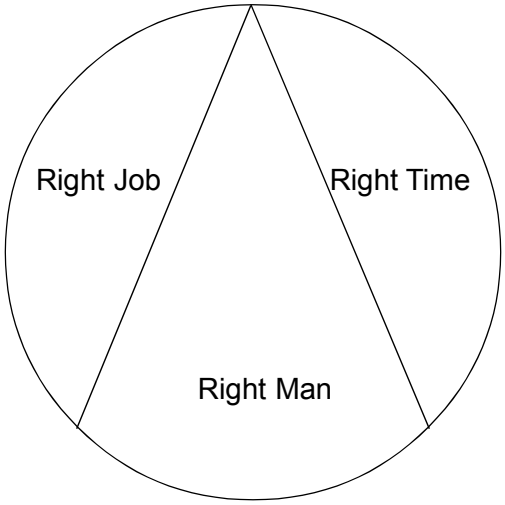


Figure: Three directions of staffing

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 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 organization 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 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 is therefore necessary to have an effective recruitment policy and retain 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 organization. It is the discovering of potential applicants for actual or anticipated organizational 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 organization.
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 organization.

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 organization 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



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 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.

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 supply 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 aspects :-

- 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.

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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: DIRECTING

UNIT STRUCTURE

7.1 Learning Objectives

7.2 Introduction

7.3 Concept and Importance of Directing

7.4 Principles of Directing

- 7.4.1 Principles relating to the Purpose of Direction
- 7.4.2 Principles relating to the Direction Process

7.5 Concept of Supervision

7.6 Direction and Supervision

7.7 Role of a Supervisor

- 7.7.1 Scientific Management Role
- 7.7.2 Human Relations Role
- 7.7.3 Functional Role

7.8 Qualities of a Good Supervisor

7.9 Functions of a Supervisor

7.10 Let Us Sum Up

7.11 Further Readings

7.12 Answer to Check Your Progress

7.13 Model Questions

7.1 LEARNING OBJECTIVES

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

- discuss the meaning and importance of directing
- discuss the elements of directing
- differentiate between direction and supervision
- describe the role of a supervisor
- discuss the qualities of a good supervisior.

7.2 INTRODUCTION

Direction is an important function of management which means a never ending art of guiding, motivating, leading and supervising the subordinates to accomplish the organizational objectives effectively. It deals with human beings and human relations in an organization and flows from the top to the bottom. There should be a co-ordination of what, how and when to be done in an organization so that the human as well as the physical resources are utilized properly.

Supervision is primarily a face to face contact between the supervisor and his subordinates. Supervision is concerned with the development and performance of employees and, therefore, a supervisor not only checks the performances of his subordinates but also helps them to flourish with the professional skills and understanding.

The meaning of direction and supervision is itself confusing and, thus, these two words differ in terms of context and content. One group supports that the span of direction is wider than supervision while the other says just opposite of it.

A supervisor has to perform the following three types of role in an organization:

1. Scientific management role
2. Human relations role
3. Functional role

In the last section of the unit, we will discuss about the qualities that a good supervisor should possess as well as the functions he has to perform in an organization in order to achieve the organizational goals.

7.3 CONCEPT AND IMPORTANCE OF DIRECTING

Throughout our lives, we direct many functions to accomplish our personal goals. The direction function of management is regarded as the heart of the management because it helps in accomplishing the organizational goals efficiently. Direction essentially deals with human beings and human relations in an organization by mobilizing and synthesizing human

resources as well as providing necessary guidance and inspiration to them in order to carry out their assigned duties. Thus, a manager directs the efforts of the employees to accomplish the organizational goals.

Direction starts once the organizational plans are laid down, the structure is designed, and competent people are brought in to fill up the various positions in an organization. Direction encompasses guiding, motivating, leading and supervising the subordinates to accomplish the desired objectives. Acquiring physical and human assets and suitably placing them is not sufficient; rather, the more important step after this is to direct the people concerned towards the organizational goals. In the absence of proper direction and supervision employees are like orphans without the guidance of a leader and so they become inactive, dull and inefficient and consequently the physical assets like machinery and plant are also not put to effective use.

Direction as an important managerial function fuels an organization's activities to initiate, connect and activate various functions of management. So it is seen that all the performances of an organization revolve around the directional process and, thus, direction becomes the essence of operations. It is a continuous function because a manager can never cease to direct, guide, teach, watch and supervise his subordinate employees as long as an organization exists. Directing, thus, creates and implements a highly conducive internal organizational environment for utilizing human resources to attain the organizational objectives effectively.

Direction process originates at the top and flows right up to the bottom because it is the superior manager who directs his subordinates how and when to perform their assigned duties. So, every manager in the organization gives direction to his subordinates as a superior and receives direction as subordinate from his superior except the person at the extreme top and at the extreme bottom respectively.

Direction is basically a process of instructing, guiding, counseling, motivating and leading the human resources in order to achieve the organizational objectives effectively.

However, many people want to cite direction as "activating".

For example, Newman and Warren have defined directing in the form of activating as follows:

"Activating deals with the steps a manager takes to get subordinates and others to carry out plans."

Usually the use of the term "Direction" is preferred to "Directing". For example, Haimann has defined direction as follows:

"Direction consists of the process and techniques utilized in issuing instruction and making certain that operations are carried out as planned."

However, direction does not merely mean the issuing of orders and instructions by a superior to his subordinates; rather it is a process of guiding and inspiring them to work as per the norms with required zeal. Thus, the four main elements of direction are: motivating, leadership, communication and supervision.

The viewpoints of management scholars, regarding direction can be summarized as follows:-

(i) Direction is an indispensable managerial function of dealing with human resources and their relationship in an organization and, thus, it aims to develop a harmonious relationship among them.

(ii) Direction is considered the "nucleus" of an organization because all other management functions evolve around this direction process.

(iii) To integrate the individual and organizational goals is one of the aims of direction and accordingly it links the different functions of an organization.

(iv) Direction is a universal and all-pervading function as the managers at all levels in an organization perform this function.

(v) The managers in an organization can never cease to direct their employees; so direction is not considered just a one-shot deal.

Importance of Directing

Human resource in an organization handles all other physical resources like, money, material, machinery etc. to accomplish the functions necessary for attaining the organizational goals. So, there should be a co-ordination of **what**, **how** and **when** so that the organizational efficiency and effectiveness can be achieved without any problem. Each individual in an

organization is related with others as his functions affect others and vice-versa. Thus, in a large organization, there is a necessity to integrate the efforts of the individuals and it is usually, considered a complex problem for the management. In this context, the importance of 'Direction' function in an organization can be presented as follows:

- **Direction initiates actions:-** In an organization, there should be a proper integration and managing of human as well as physical resources to get the desired result. Through 'direction' management of an organization tries to motivate the individuals so that they function in the desired way. Thus, other managerial activities like planning, organizing and staffing also become ineffective without direction.
- **Direction integrates employees' effort:-** For achieving organizational objectives, individuals need to be efficient and effective in their work because there is an interrelation between the performances of two or more individuals. This integration of individuals' efforts is possible only through direction.
- **Direction attempts to get maximum out of individuals:-** Every individual in an organization has some potentiality and capability. But in the absence of proper motivation, leadership, communication and supervision (all elements of direction), the individuals may become inactive. Direction provides the appropriate tracks for utilizing and increasing these capabilities in proper ways.
- **Direction facilitates changes in the organization:**- An organization exists in the society which keeps on changing very frequently. Any change in the society forces the organizational process to be altered and, therefore, the organization should always be ready to face these environmental changes. Moreover, the management should motivate (an essential part of direction) individuals to cope up with the changes in organizational structure and in individuals, so that they can be incorporated and implemented smoothly in the organization.
- **Direction provides stability and balance in the organization:**- Effective leadership, communication, motivation and supervision are the ideal conditions for the long and stable existence of an organization.

They bring stability in the organization and maintain a balanced and harmonious relationship among the different parts.



CHECK YOUR PROGRESS

Q 1: What do you mean by direction ?

(Answer within 60 words)

i) .....

ii) .....

Q 2: Mention two points to highlight the importance of directing.

i) .....

ii) .....

7.4 PRINCIPLES OF DIRECTING

Direction is considered as one of the most complex functions of management as it has to deal with individuals who are by nature quite complex and unpredictable. However, the direction process can be made effective through long-term experience, in order to manage people of diverse nature. Managers should abide by some principles while directing their subordinates, which are again divided into two parts in the following way:

(i) Principles relating to the purpose of direction

(ii) Principles relating to the direction process

7.4.1 Principles Relating to the Purpose of Direction

The basic purpose of direction is to integrate the efforts of the subordinates so that they can work in a systematic and coordinated manner to fulfill the organizational objectives. In this context, following principles are important:

- **Principle of maximum individual contribution:** The direction technique adopted by the management of an organization should have an urge for the subordinate's maximum efforts in order to achieve the organizational objectives at the maximum level.

- **Principle of harmony of objectives:** Individual objectives, that is, the personal objectives of individuals working in an organization, have to be fulfilled along with organizational objectives because the employees of an organization work to satisfy their physiological as well as psychological needs too. Organizational objectives aim at the maximization of profits in a business concern. Therefore, the management should adopt appropriate direction techniques to integrate both the organizational and individual objectives by minimizing the impact of individual factors like ambition, laziness, weakness and others which tend to reduce the importance of general interests. It means common interest must prevail over the individual interests.
- **Principle of efficiency of direction:** Efficiency of direction means the application of the correct directive techniques which include proper communication, motivation and leadership style etc., so that the organizational goals can be accomplished without adversely affecting the needs and satisfaction of the subordinates.

7.4.2 Principles Relating to the Direction Process

The principles of direction process that are related with the factors of making a particular direction technique effective and efficient are as follows:

- **Principle of unity of command:** According to this principle, an employee should get orders and instructions in the organization from one superior only to whom he is officially liable. Thus, this process should follow a hierarchical manner because a dual command, that is, orders from more than one superior, creates conflict, confusion, disorder and instability in the organization. Therefore, direction should comply with this principle to reduce these problems.
- **Principle of appropriateness of direction technique:**

Leadership is one of the important element of direction. In directing the subordinates, the manager should adopt the appropriate leadership style. The appropriateness of various leadership styles like authoratative, consultative, free-rein, etc. depends on the nature of superior, subordinates and the situation. So, the manager must consider all these factors in choosing the leadership styles to lead and guide the subordinates.

- **Principle of effective communication:** Effective downward and upward communication between the superior and his subordinates is also a factor of consideration for the organizational success and well being. A superior passes orders, ideas about work etc. to his subordinates through downward communication while he comes to know how his subordinates are working through upward communication. Thus, effective communication in both the ways makes direction effective.
- **Principle of Comprehension:** Through direction, a superior communicates with his subordinates about their role and responsibilities; such as what, how and when a particular work is to be done .Thus, it also becomes important for subordinates to understand and comprehend properly what has been conveyed to them by their superior because these things clear the situation and avoid unnecessary queries and doubts.
- **Principle of use of informal organization:** Probably you have come through the terms “formal group” and “informal group” that exist in an organization. The formal group means an official relationship among the employees in an organization while the personal relationships that develop among the people working together are known as informal group. The informal group denotes an unofficial relationship through which information travels very quickly, though some information may at times be untrue. Therefore the management should try to take the

advantages of such informal organization for making direction most effective.

- **Principle of follow through: -** Direction is a continuous managerial process as the management can not wind up its duty by merely giving orders; rather, it should follow up the employee's performances to find out whether they are working accordingly or facing some difficulties etc. In the light of these, management may sometime have to modify or replace its orders or decisions as per the needs to develop an effective working environment.



CHECK YOUR PROGRESS

Q 3: Mention two principles of direction process?

(i) .....

(ii) .....

7.5 CONCEPT OF SUPERVISION

If 'vision' implies seeing, the word 'supervision' can be read as over-seeing. So, supervision can be defined as an activity of overseeing the productivity and progress of employees who report directly to the supervisor, to ensure that they are performing according to the stated procedures.

Though there are several interpretations of the term "supervision", it primarily involves a face to face contact between the supervisor and his subordinates. For example, first-level supervisors supervise the entry-level employees; middle-managers supervise the first-level supervisors and so on. Supervisory level in an organization increases or decreases in numbers depending on its size. A supervisor performs a managerial job in the organization as supervision is an essential function of management.

A supervisor not only checks the performances of his subordinates but also helps them to flourish with professional skills and understanding. Supervision is concerned with development and performance of employees in varying degrees, depending on the context.

Supervision is not a task of merely observing the employees. There

is a need to activate, motivate and lead the human resources of an enterprise so that the employees can perform their assigned duties with zeal and diligence. Being the heart of the entire managerial process, supervision should initiate an action and put into effect the decisions, plans and programmes in order to accomplish the objectives of the enterprise.

Supervision can be formally defined as a relationship between the senior and junior member(s) of a profession that –

(a) is evaluative

(b) extends over time

(c) serves to enhance the skills of junior person

(d) monitors the quality of the services offered by the junior person

(e) acts as gatekeeping to the profession

7.6 DIRECTION AND SUPERVISION

Generally, direction and supervision create confusion in their meanings and thus they differ in terms of context and content. The term supervision is used in the following two ways:-

First, it is seen that being an element of direction, every manager in an organization has to perform the supervision function irrespective of his level in the managerial hierarchy. In this context, supervision denotes the supervisory efforts of guiding the subordinates to achieve organizational objectives. So, it can be concluded that the span of direction is much wider than supervision because direction also includes other elements like motivating, guiding and communicating with the employees besides supervision.

Second, on the contrary some authors assume that the scope of supervision is much wider than direction particularly at supervisory level. Supervision is the function of supervisors - a class of personnel between management and operatives. According to this view, the supervisory function includes planning, organizing, staffing, directing and controlling with varying emphasis on these functions. Supervision is therefore seen as the day to day relationship between an executive and his immediate assistants. Thus, it covers training, direction, motivation, coordination, maintenance of discipline etc. in an organization.



ACTIVITY 6.1

"Scope of directing function is wider than supervision."

Give your comments.

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7.7 ROLE OF SUPERVISOR

Supervision is basically concerned with proper utilization of the resources in an organization. Its aim is to minimize the wastage of physical resources and the utmost use of human resource by satisfying the employees' own needs in order to achieve the organizational goals effectively.

Generally, a supervisor is known as "marginal man" because he has to perform a mediating role between the management and the workers in the organization. He carries out this role by explaining the views of management to workers and vice-versa. In doing his duties, a supervisor performs the following three types of role:

- Scientific management role
- Human relations role
- Functional role

7.7.1 Scientific Management Role

In this context, the supervisor handles the situations in the organization as a technician, analyzer, researcher or controller.

- **Technician:** The supervisor must have a thorough knowledge on the technical aspect of the jobs that are practically performed by operatives in the factory. Because in the era of modern technology, the supervisor usually needs to provide technical advice and guidance to his subordinates and has to solve the complicated and intricate problems that may occur in the

organization. Moreover, the supervisor should have the capability to specify and analyze the jobs to determine the appropriate work methods.

- **Analyzer/Researcher:** - The supervisor should be an analyst too so that he can design new and scientific job procedures and methods for the operatives to increase their work efficiency. Besides, the supervisors should also be well conversant with the operations because at the factory level they provide first hand assistance to the operatives.
- **Controller:** - The supervisor should also perform the role of controller. The actual performances of the operatives (workers) are compared with the standards to ensure whether they are using proper methods of work performance or not. If a negative indication is found, being a controller, the supervisor takes remedial actions for his subordinates including the action related to reward and punishment to achieve the stated results.

7.7.2 Human Relations Role

Workers perceive themselves as a distinct from the managerial personnel. This, in turn, may alienate them from the organization. So, as a linkman between the workers and the management, a supervisor has to perform the human relations role much more effectively to create a better relationship between them. The human relations role of a supervisor may be discussed as under-

- **Human relations expert: -** As a human relations expert, the supervisor should possess the quality of a negotiator, communicator and compromiser to deal with the people of an organization. He is concerned with solving the problems of workers as human beings, satisfying their needs and improving the human relations as well as the interpersonal skills. He must always try to maintain good relations with the management and the workers as he is generally treated as impartial member.

- **Counsellor: -** Counselling means sympathetic listening to problems of the workers, particularly the problems of emotional nature and advising them how to overcome these problems. So, a supervisor has to work as a counselor for his workers because he has to extract their best human qualities by mitigating their problems that may be related both to the work environment and their personal matters.
- **Linking pin: -** We have already seen that supervisors are impartial i.e. neither the member of the management or the workers. They are considered only as the representative of the management by the workers and as workers' representative by the management. So, being a "linking pin" between the management and the workers, the supervisor has to satisfy the needs of both sides through effective communication with them.
- **Motivator:** - The supervisor has to act as a motivator for the workers in his unit which is considered a challenging task for him. Through motivation, the supervisor tries to integrate the workers' objectives with those of the organization and for this the supervisor must have a full and proper knowledge about his workers and be able to create a work environment which provides satisfaction to them.
- **Trainer:** - Generally, a supervisor provides on-the-job training to the workers so that they can acquire the required skills to perform their jobs effectively. Moreover, the supervisor performs an uphill task of transforming the raw and unskilled workers into a skilled and efficient one.

7.7.3 Functional Role

The functional roles that a supervisor has to perform besides performing the scientific management and human relations roles are as follows:-

- **Planner:** As a planner, the supervisor formulates the operational

plans for workers like what, how and when the work is to be done. The supervisor establishes production targets, schedules and procedures with proper planning so that he can get the stated results from his workers well in time which in turn facilitates the achievement of organizational objectives successfully.

- **Organizer:** The supervisor coordinates the activities of people, machines, and materials etc. together for the smooth and orderly functioning of an organization. Thus, this role of a supervisor can be resembled with the music director of an orchestra who brings into playing each instrument at the right moment to produce melodious music.
- **Leader:** To be a good supervisor, he should be an effective leader first. He should exercise the most appropriate leadership style by considering both the task-oriented and people-oriented styles according to the need so that he can derive the willing efforts from his workers. It is better to influence the workers by a supervisor's own personal skills rather than his formal authority to get the desired performances from them.
- **Controller:** As a controller, the supervisor evaluates the worker's performances with the preset standard to ensure that the works are proceeding according to the plans. If he finds any mismatch between these two, the supervisor takes appropriate corrective actions.



CHECK YOUR PROGRESS

Q 4: State whether the following statements are true or false in the space provided for—

i. A supervisor is not a technician.

ii. A supervisor is a planner but not a controller.

iii. Workers consider the supervisor as representative of management.

iv. Human relations skill is not necessary for a supervisor.

v. A supervisor must be a good organizer.

7.8 QUALITIES OF A GOOD SUPERVISOR

The main activities that a supervisor has to perform in an organization are as follows –

(a) Assignment of job to the respective employee.

(b) Review the quality and quantity of the work done by his subordinates to check their performances with the preset standards.

(c) He helps and guides his subordinates on various aspects of the jobs assigned to them as per the need.

(d) He also inspires his subordinates to give their best efforts for the accomplishment of organizational goals.

(e) He acts as a mediator between the workers and the management.

Thus, a good supervisor should have the qualities to act as an instructor, leader, and motivator etc. in the organizational context which can be summarized as follows:

(i) Knowledge about the organization

(ii) Technical ability

(iii) Ability to talk well

(iv) Ability to listen

(v) Ability to remember

(vi) Ability to co-operate

(vii) Ability for orderly thinking

(viii) Ability to judge people

(ix) Patience

(x) Economic stability

(xi) Ability to instruct and explain

(xii) Ability to improve worker's morale

(xiii) Ability to enforce discipline

(xiv) Ability to delegate power, responsibility etc.



ACTIVITY 6.2

As a supervisor what qualities do you possess? How these qualities help you in supervising the task given to you?

……

……

……

……

7.9 FUNCTIONS OF A SUPERVISOR

Though supervision has its utmost importance at the operational level, that is, at the level of first-line supervisor, but practically it is required at all levels of management. The first line supervisors are directly responsible for getting the work done through employees because they have a direct and constant touch with operatives, that is, workers in the factory and clerical staff in the office. So, management takes supervisor's suggestions when it has to choose a few employees for specific programme like training, promotion, transfer etc from his respective unit.

Supervisors are the key people and thus they have to perform a number of important functions. It is seen that the supervisors are the link between the top and middle management and the workers. So, they have to communicate the management's ideas, plans and policies to the workers and employees. In the same way, they also play the role of principal spokesmen for their subordinates to communicate their feelings and grievances to the management. The supervisor therefore need to maintain friendly relations with their seniors as well as with the subordinates who are directly working under him. Thus they are expected to win both the trust and confidence of management and operatives.

Supervisors are the prime persons for introducing the working methods at the operative level. They have to clarify the orders and instructions that are issued to subordinates and make sure that they have understood it correctly. A good supervisor always tries to make work less tedious for his subordinates by ensuring that they have got the required

facilities to perform their jobs well and by exposing them to the wider aspects of their day-to-day work. He should keep a close watch on his subordinates and guide their activities while performing the job because he has to rectify their errors and omissions by detecting those.

Moreover, the first line supervisor is primarily responsible for enforcing discipline and safety at the operational levels and communicate any problem which arise there-in to the higher level authority.

Therefore, the functions of a supervisor may be discussed as under-

(a) Communication of orders, instructions etc.

(b) Introduction of work methods.

(c) Making the work less tedious.

(d) Induction or orientation of new employees.

(e) Training employees.

(f) Handling grievances.

(g) Enforcing disciplines.

(h) Ensuring effective communication.

(i) Enforcing safety.



7.10 LET US SUM UP

In this unit we have discussed the following aspects :-

- Direction is an indispensable managerial function because it deals with human resources and human relations. The principles of direction can be divided into two parts:
  - Principles relating to the purpose of direction
  - Principles relating to the direction process
- The two terms- direction and supervision differ in terms of context and content. Supervision involves a face to face contact between the supervisor and his subordinates.
- In doing his duties, a supervisor performs three types of roles:
  (i) Scientific management role;
  (ii) Human relation role; and
  (iii) Functional role.



7.11 FURTHER READINGS

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7.12 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Direction is an important managerial function. The managers at all levels perform this function continuously. It is basically a process of instructing, guiding, counseling, motivating and leading the human resources to achieve the organisational goals. In the absence of proper direction, the human resource of the organisation may become inactive which will result in misutilisation of other resources.

Ans to Q No 2: (i) Direction integrates employees' effort: Directing integrates the functions of individual employees in the organization. It helps in the achievement of organizational objectives.

(ii) Direction provides stability in the organization: Effective direction provides stability in the organization. A stable organization can better achieve its objectives.

Ans to Q No 3: (i) Principles of unity of command.

(ii) Principles of leadership.

Ans to Q No 4: (i) False (ii) False (iii) True
(iv) False (v) True



7.13 MODEL QUESTIONS

Q 1: Define Direction.

Q 2: Explain the principles of direction.

Q 3: Discuss the importance of direction.

Q 4: Distinguish between direction and supervision.

Q 5: Discuss the functions of supervisor.

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UNIT 8: CONTROLLING

UNIT STRUCTURE

8.1 Learning Objectives

8.2 Introduction

8.3 Meaning and Importance of Control

8.4 Steps in Control Process

8.5 Behavioural Implications of Control

8.6 Management By Exception

8.7 Techniques of Managerial Control

- 8.7.1 Budgetary Control Techniques
- 8.7.2 Non Budgetary Control Techniques

8.8 Let Us Sum Up

8.9 Further Readings

8.10 Answers to Check Your progress

8.11 Model Questions

8.1 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.

8.2 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.

8.3 MEANING AND IMPORTANCE OF MANAGEMENT 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 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, in the 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 at 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 because it includes the control of quantity, quality, time, cost etc, i.e. all activities of an organisation.
- 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 folow."

- **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 there are numerous complexities are associated. Such large organisations produce a 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 plan. 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 delegation and decentralisation effective, control system is very much essential. Without proper control system, no delegation and decentralisation of authority can produce desired results.

- **Proper Direction :**

Effective direction is always possible through effective control. 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 a challenge and provides 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.

- **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.

- **Adapting to changing environment :**

At present, products, competition, technology, consumer, market, government policies, corporate laws, employees behaviour, society etc. are changing at a very rapid pace. 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 depends on control mechanism. Where control mechanism fails, plans also fail and where plans succeed, control also succeeds.



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.

8.4 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 unimportant and important deviation. It is important to mention that focussing on important 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 immediately the corrective measure after determining the causes of deviations. In order to correct the actual performance managers can provide training, revising compensation plan, redesigning job; changing the strategy, changing the organisational structure etc.

The various steps of control process are shown below-

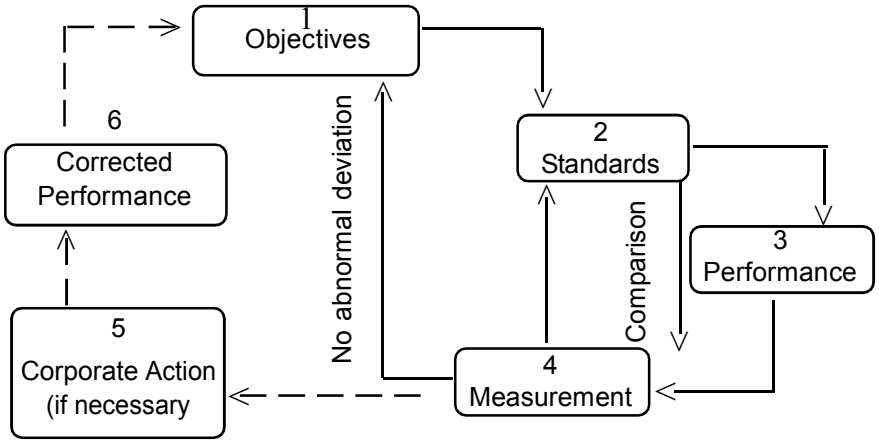


Figure: Control Process



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) .....

8.5 BEHAVIOURAL IMPLICATIONS OF CONTROL

The essence of control is people, because management must control people, not things or resources. Management is to control material resources by controlling the people as 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, tighter control leads 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, control system can be make effective in the organisation. Now, we will discuss certain measures to overcome the behavioural problems-

- In an organization, the management should avoid direct hierarchical pressure. Instead management can adopt a 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, 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 do not take place.



CHECK YOUR PROGRESS

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

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

8.6 MAMAGEMENT BY EXCEPTION

Management by exception is an important principle of organizational control. According to this principle, the managers should give attention only on significant deviations from standards of performance. By this principle, manager can separate important and unimportant deviation. As per this principle, a manager should send only information of important deviation to the 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. For example, the manager establishes a quality control standard, under which 2% defective production can be allowed. According to the principles of management by exception, managers should inform the top management, if the defective is found to be more than 2% and they should not inform the management about any defect 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 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 a 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)

8.7 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. viz.

A. Budgetary control techniques

B. Non-budgetary control techniques

8.7.1 Budgetary Control Techniques

The word 'budget' is derived from the French word "Bougettee". The meaning of this word is a leather pouch in which funds are appropriated for meeting anticipated expenses. 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 data in order to approve accomplishments or to remedy differences by either adjusting the budget estimates or correcting the cause of the difference."

There are generally four steps in the 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 at the 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 the 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 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 dependant upon the sales budget. because, selling and distribution cost change 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 the 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 production is expressed in terms of money. This budget estimates the total amount 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. Through 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 :**Through budgetary control 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 taken 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. The change in business environment, market, government policy may alo adversely affect the budgetary control of an organisation.

ii) **Revision :** Budgetary control is based on some assumption. So, if these assumption do not happen, 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 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.

8.7.2 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 them.

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 controlled to avoid loss.

iv) **PERT/CPM :-** These are network techniques used for controlling 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. 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 the right time at the right place. Different parameters of inventory control are safety inventory level, maximum inventory level, re-ordering level, danger 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 save cost and time of inspection work.

vii) **Financial statement :** Profit and Loss account and balance sheet are the two principal financial statements. These financial statements show the working as well as financial 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?

(Answer within 30 words)



8.8 LET US SUM UP

The following aspects have been discussed in this unit -

- 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 performamce and standard, correction of deviation.
- The control system affects the behaviour of the employees. So, control system should consider the feeling, motive, behaviour and attitude of employees.
- 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.



8.9 FURTHER READINGS

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

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

5) Dutta M. (2002). Management Control System. New Delhi, S. Chand & Company Ltd.



8.10 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 phusically but not emationally;
(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.



8.11 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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UNIT 9: LEADERSHIP

UNIT STRUCTURE

9.1 Learning Objectives

9.2 Introduction

9.3 Meaning and Features of Leadership

9.4 Importance of Leadership

9.5 Qualities of a Good Leader

9.6 Leadership Styles

- 9.6.1 Autocratic Leadership Style
- 9.6.2 Democratic Leadership Style
- 9.6.3 Free-Rein Leadership Style

9.7 Likert's Management System

9.8 Let Us Sum Up

9.9 Further Readings

9.10 Answer To Check Your Progress

9.11 Model Questions

9.1 LEARNING OBJECTIVES

After going through this unit you will be able to:

- define leadership.
- outline the features of leadership.
- discuss the importance of leadership.
- identify the qualities of a good leader.
- discuss the various leadership styles.
- illustrate Likert's management system.

9.2 INTRODUCTION

In an organization, human resource is the most precious resource. The capacity of human resources should be used to the utmost level so that an organization can show its excellence in every aspect. It depends upon the management of the organization. They can get the optimal result

from those human resources by winning their support. However, it is possible when a manager becomes their leader in real sense to influence their behaviour in desired direction. Here, we can take the example of a cricket team. In the team, out of total eleven players one member is selected as the captain and he or she leads the team i.e. the leader. To win a cricket match, The efficiency of the captain as a leader is very important. It is believed that under the guidance of an efficient leader the team has a better chance to win the match. In this unit, we will discuss about leadership and the qualities that a leader should posses to influence his subordinates and to provide them the guidance. In this unit, we shall also discuss the importance of leadership in achieving the desired objectives and goals in an organization. Moreover, we will discuss different styles of leadership and Likert's management system.

9.3 MEANING AND FEATURES OF LEADERSHIP

Leadership is a part of management. Being a leader, the manager must direct and lead his subordinates and inspire them to achieve organizational goals. Leadership is an abstract quality in a person. It is a psychological process through which a leader tries to influence the behaviour of followers to work willingly and enthusiastically for achieving predetermined goals. Thus, leadership acts as a driving force to get the things done by others.

Management can get the result from the human beings of an organization in two ways:

- By imposing and exercising the authority
- By winning the support of the people.

Out of these, the second method is the better one as it has a lasting effect over the employee's motivation in an organization. Thus, it is seen that the essence of leadership is "followership" because willing followers alone can make a person a "leader". An executive has to earn the confidence of the followers. An executive may get sub-ordinates due to his positional authority, but may be unable to get a follower unless he can induce the people to follow him.



LET US KNOW

The word 'Psychological' has been derived from the word 'Psychology'. It is the study of human mind. It is related with human emotion, cognition, behaviour and the interaction among them.

Now, let us discuss some of the definitions of leadership given by management experts-

According to *Chester Bernard*, "Leadership is the quality of behaviour of individuals whereby they guide people or their activities in organizing efforts". From this definition, it is seen that a leader interprets the objectives of the people working under him and guides them towards the accomplishment of those objectives.

In the words of *Koontz and O'Donell*, " Leadership is the ability of a manager to induce subordinates to work with zeal and confidence". This definition reflects that the primary job of a leader is to build a team for the achievement of organizational goals.

Tennenbaum et al have defined leadership as follows:

"Leadership is the interpersonal influence exercised in a situation and directed through communication process, towards the attainment of a specified goal or goals". This definition emphasizes on influencing people through communication. However, the enthusiasm with which the receiver of the communication will act is important.

In view of the above, We can define leadership as a process of influencing the behaviour and activity of other people in a team so that they strive willingly towards accomplishment of group objectives.

Features of Leadership

The various features of leadership are as follows:-

- It is a continuous process of influencing the follower's behaviour rather than one-shot activity.
- Leadership requires personal qualities to exert an interpersonal influence.

- There should be a group of willing followers for leadership to be effective.
- It is the relationship between a leader and his followers (individuals and/or groups) which arises out of their functioning for common goals.
- Laying down of objectives and policies for the followers, motivating them and coordinating their efforts to accomplish the objectives all come under the umbrella of leadership.
- The style of leadership may differ from situation to situation.
- It includes the ability to persuade others and to motivate them for working objectively to accomplish certain specific goals.
- It is necessary to guide the followers in attaining common goals. While giving guidance, the leader shows his feelings of recognition for the followers as well as conveys them the importance of their works.
- Appreciation of good work done by subordinate is important
- The leader is given the positional authority. However, personal authority is also important.

9.4 IMPORTANCE OF LEADERSHIP

Leadership is a process of influencing the behaviour of members of a group. Thus, effective leadership is highly essential in inspiring the people to accomplish the specified objectives. When you recall the history of success, you will recognize whether in a war, a political movement, a business, or a team game, the success can be attributed largely to leadership.

Here we are more concerned about manager as a leader. For efficient and effective functioning of an organization, it needs the guidance of a good leader, since an organization is deliberately created by human beings for certain specified objectives. So, there is a need to direct the activities of its members in a certain way to achieve the specified objectives in time. Otherwise any departure from this way will lead to inefficiency in the organization. Direction of activities in the organization is affected by the leader.

According to P.F. Drucker, “Good leadership is a must for the success

of a business but business leaders are the scarcest resources of any enterprise."

John G. Gloves, in his book, *Fundamentals of Professional Management,* states that "more failures of business concerns are attributable to poor leadership than any other cause."

All these management experts emphasise the importance of leadership in achieving the organizational goals. The importance of leadership in management will be clear if the following functions performed by the leaders are known:

- **Determination of goals;** As a creative function, a leader lays down the goals and policies for his followers.
- **Organization of activities:** A good leader divides the organizational activities among the employees in a systematic way to reduce the chances of conflict between them.
- **Accomplishing coordination:** A leader accomplishes the organizational goals by directing and unifying the efforts of all the individuals of a group.
- **Providing guidance:** A good leader besides guiding his sub-ordinates provides advice whenever they face any problem.
- **Building employee's morale:** A good leader is a source of developing employee's morale, which in turn ensures high productivity and stability in the organization.
- **Facilitating change:** Dynamic leadership is the corner stone of organizational change. A dynamic leader can facilitate change, as he. She is able to overcome the resistance which comes in the way of change.
- **Motivating employees:** Motivation is an essential factor for influencing the work performance of employees. Higher the motivation, better would be the performance. A good leader motivates the employees to perform high to accomplish the organizational goals. Good leadership in the organization itself is a motivating factor for the individuals.



CHECK YOUR PROGRESS

Q 1: State three features of Leadership.

i) .....

ii) .....

iii) .....

9.5 QUALITIES OF A GOOD LEADER

A leader to be effective must possess the basic qualities, the important ones are as follows:

- **Intelligence: -** Intelligence means the capacity of thought and reasoning especially to a high degree. Though intelligence is a natural quality of an individual [i.e inherent in nature], but it is the claim of many psychologists that the level of intelligence can be increased in an individual through various training methods.
- **Initiative and creative ability: -** At the time of uncertainty, a leader must function in an orderly and purposeful manner to overcome the hurdles. People also look to the leader during the times of uncertainty. It is only the leader who can give assurance and security to them by portraying a picture of confidence and positive behaviour at that time.
- **Power of judgment: -** A good leader should have the ability to judge a thing analytically. Keeping the main goals or objectives in focus, the leader is able to break down the whole situation into manageable sub parts for closer inspection. Thus a good leader makes a progress towards the main goals of an organization.
- **Vision and foresight: -** A successful leader should have the capability to assess the future environment along with its trends. Accordingly the leader devises policies and programmes with foresight based on logical programmes.
- **Mental and emotional maturity: -** A leader should have a high level of emotional and mental stability. The leader should not be biased in any situation. The leader should show consistency in action and be able to refrain from anger. He she must have the capacity to adjust in

all situations at the time of trouble or difficulty.

- **Flexibility:-** According to the need under different circumstances, leadership styles vary giving rise to different types of leadership namely Autocratic, Democratic and Free-rein leadership style.
- **Technical competence: -** The leader must follow some definite principles for getting success while leading the people. "Technical competence" of Leadership means the use of important abilities of a leader for handling certain functions of management like planning, organizing , analyzing, advising , decision making, controlling and winning cooperation etc. The technical competence of Leader may help him in winning his follower's support.
- **Self confidence: -** To be a good leader, a person must be first self-confident who can lead and set direction in the desired way. Such a confident leader becomes a source of inspiration and confidence for others. Thus, the confidence of a leader helps him to draw out the trust and best efforts of the team members to complete the tasks well.
- **Human relations attitude: -** A successful leader should have an adequate knowledge of human relations that means the way of dealing with human beings. Since an important job of a leader is to get people's voluntary and full cooperation for achieving the set goal, the leader must try to get an intimate knowledge of people and their relationship to each other. The knowledge of human behaviour and their reaction to various situations is quite meaningful to a leader.

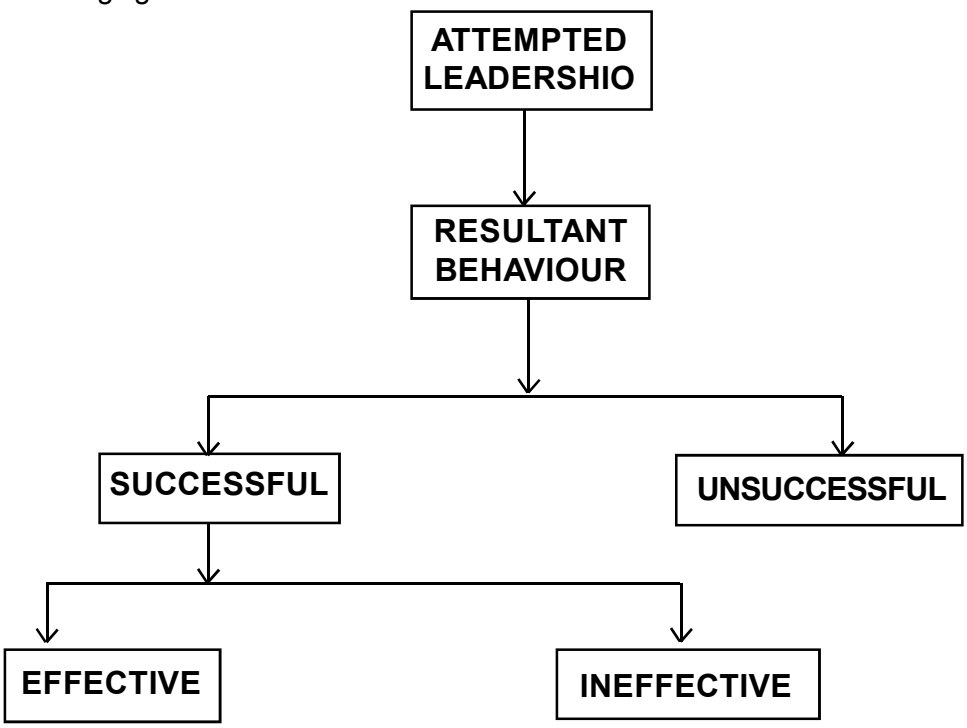
SUCCESSFUL LEADERSHIP VS EFFECTIVE LEADERSHIP

Successful leadership and effective leadership are two different modes of leadership and thus depend on different factors.

Success of leaders is attributed to position, power and close supervision while effectiveness of leadership is attributed to personal power and general supervision.

Though the position can be delegated downward in the organization,

but the personal power cannot be delegated. Rather it is generated upward from below through acceptance of the leadership style of a leader by his subordinates. The successful and effective continuum is shown in the following figure:



Thus, a manager can be successful but ineffective. It means that he has only a short-run influence over the behaviour of others but unable to continue with the same influence for a longer period of time. On the contrary, a successful and effective manager is an ideal person, who has a long run influence on the productivity of his subordinates.



CHECK YOUR PROGRESS

Q 2: Mention five qualities of a good Leader.

i).....

ii) .....

iii) .....

iv) .....

v) .....

9.6 LEADERSHIP STYLE

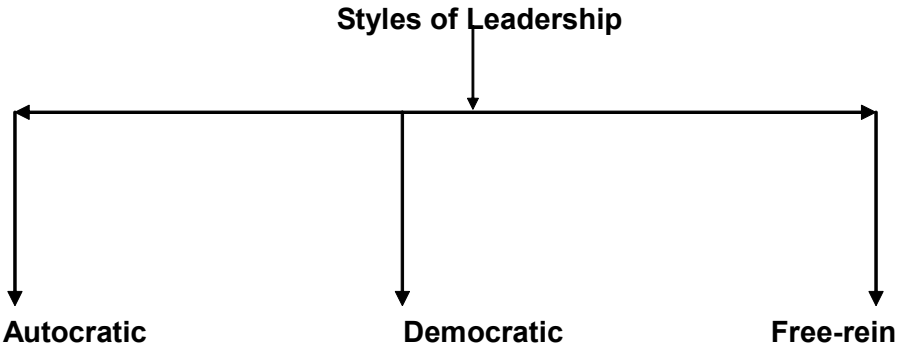
Leadership style means the behavioural pattern of a leader that often reflects the activities while providing direction, implementing plans and motivating people. The philosophy, personality and experiences of a leader are visible in his leadership style. It is the art or process of influencing people for their willing participation in the combined efforts to achieve the common goals.

The leadership styles may be categorized into three categories. In reality it is seen that a leader uses different styles at different times to meet the requirements of different situation, teams and individuals. A good leader uses all the three styles based on his common sense.

Forces that influence the style of Leadership to be adopted by the leader are as follows:-

- **Time consideration:** Availability of time for completing the work. Under crisis situation, the leader behaves like an autocrat.
- **Relationship:** The kind of relationship, the leader and the followers have between them, is also a determining factor for the style of leadership to be adopted by the leader.
- **Information:** The leader may alone have the information that is required to solve the entire problem . In many situations, the information may be with the employees also. This force has an influence in the use of leadership style in an organization.
- **Knowledge of task:** Sharing of knowledge and experience with the team members is important for completing difficult tasks.
- **Internal matter:** The competency, experience, morale and other factors associated with the team or the members of the team. are important for choosing a style of leadership.
- **Stress Level:** The use of leadership style also depends on the complexity of a task, elements of perceived risk, actual danger or emergency etc.As stated earlier, in case of crisis situation, the leader tends to behave in an autocratic manner.

We will discuss the different leadership styles in the following sections. Diagrammatically it can be shown as follows:



9.6.1 Autocratic Leadership Style

Under the autocratic leadership style, all decision making powers are centralized in the leader as shown in Figure (A). The leaders prefer no suggestion and initiative from the subordinates. The leader gives orders and assigns tasks to subordinates without taking their consent. This leadership style is usually used in the following conditions, when:-

- The leader is running short on time. For example in the situations of danger and emergencies.
- The leader has all the information to solve the problem.
- The employees of the organization have full confidence on their leader. Moreover, they are well motivated and believe that the leader has adopted the particular style of leadership keeping the best interest of the team in his mind.
- The leader requires a high level of productivity from an inexperienced team or individual.
- The pressure of finishing the assigned task is more on the higher authority in the organizational structure of positional hierarchy.
- The team may be placed at risk if it cannot finish the assigned task within the given time period.

It is not suggestible to use the autocratic leadership style at normal situation; rather it should only be used on rare occasions.

If the leader has time and want to gain more commitment and motivation from the employees, then the leaders should use the democratic leadership style.

Delegation of Power: Authorizing the subordinates to make decisions.

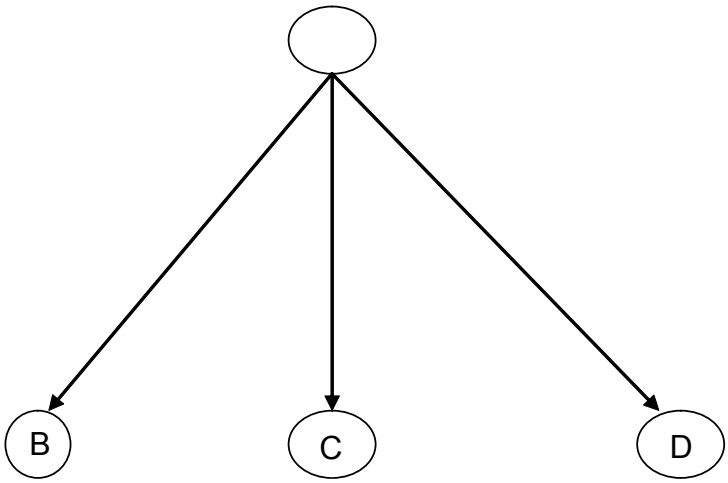


Figure (A): Autocratic Leadership style

In the Figure (A)

A = Leader ; B,C,D = Subordinate

9.6.2 Democratic Leadership style

The Democratic leadership style facilitates the decision making process by a group of people as shown in Fig B. Here a leader gives instruction after consulting the group. However, the final decision making authority lies with the leader.

- A leader may adopt this style when the situation is complex and requires the views of all concerened.
- The situation is not serious enough as like as a crisis situation which may call for autocratic leadership style.
- Considering a situation where the manager has limited information and the employees also have the other part of the information that is required to solve the task, then it is better to

use democratic leadership style. Therefore, in this case, it becomes important for a leader to appoint knowledgeable and skillful employees so that they can fully co-operate the leader in performing or finishing the works successfully.

- This approach is most common when the leader is working with a new team or a team that is in a learning stage.
- Here, the leader can win the co-operation of his group and can motivate them effectively and positively.

Thus, by using this style the number of complaints, employee's grievances, industrial unrest and strikes can be reduced because it allows the employees to become a part of the team for decision making.

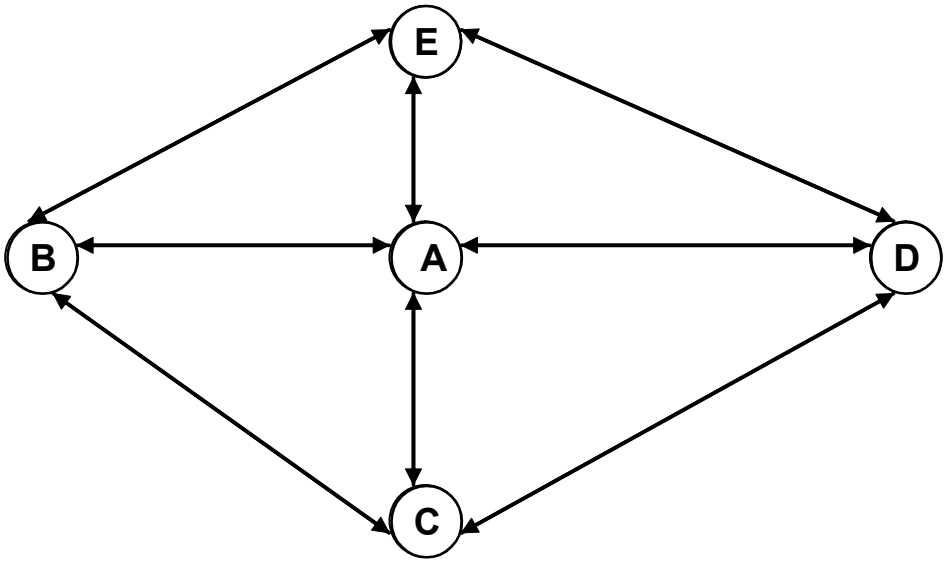


Figure B: Democratic Leadership style

In the Figure (B)

A = Leader; B,C,D,E = Sub-ordinate

9.6.3 Free-rein Leadership style

In this style, the leader does not lead, but leaves the group entirely to itself as shown in Figure (C).

- This approach is most common with experienced team carrying out routine activities with the ability to analyze the situation and determine what needs to be done and how to do it.
- Such leader allows maximum freedom by giving a free hand to subordinates, in deciding their own policies and methods.
- This style benefits the self-motivated team members looking for new responsibilities and challenges.
- Here, the leader acts as an umpire and coordinator of information.
- Through this leadership style, a leader can assess the capability of his team members in performing their responsibilities.

This style is suitable when a leader has full trust and confidence in the people below him. But it is not fair that you can blame others when things go wrong, giving the excuse of this system.

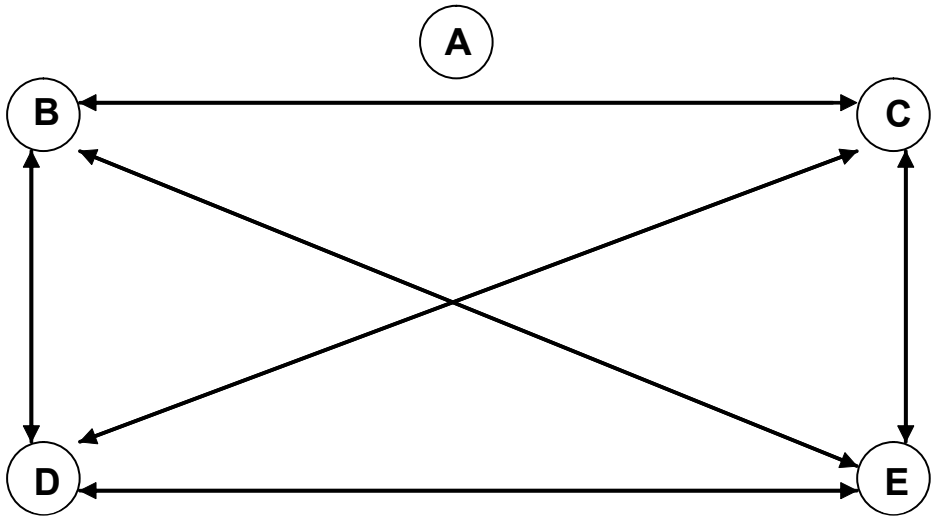


Figure C: Free-rein Leadership style

In the Figure (C)

A = Leader

B,C,D,E = Subordinate



CHECK YOUR PROGRESS

Q 3: Match the followings:

i. Autocratic leadership style	a. Leader gives instruction after consulting the group
ii. Democratic leadership style	b. The leader does not lead, but leaves the group entirely to itself
iiiiii. Free-rein leadership style	c. All decision making powers are centralized in the leader

9.7 LIKERT'S MANAGEMENT SYSTEM

Rensis Likert and his associates studied the pattern and styles of managers and based on their findings, they developed certain concepts and approaches important to understand the leadership behaviour. According to Likert, management system of an organization has an influence on the efficiency of that organization and its departments. Likert categorized the system of management into the following four groups:-

System 1: Exploitative authoritative system

In this type of management, with a persisting distant relationship between superiors and their subordinates in an organization, the employees have to abide by the decisions made by managers at a higher level. Communication flows from top to down with most decisions taken at the top.

In this system, you find neither the teamwork nor the subordinate's participation in the decision making process. The organization is concerned simply about completing the work. There is use of fear and threats by the management of an organization to make sure that employees complete the work timeline.

System 2: Benevolent authoritative system

As like the Exploitative authoritative system, here also decisions are made by the top authority and management of an organization. Here policy decisions usually are made by the top level authority. But sometimes the

lower levels are also delegated with power to take some routine decisions.

There is a use of reward system in Benevolent authoritative, to motivate employees for their contribution rather than fear and threats. Information may flow from subordinates to managers but it is restricted to "What manager wants to hear". Superiors usually expect the obedience of subordinates in this management system.

System 3: Consultative system

In this type of management system, sub-ordinates are tried to be motivated by rewards. There is a partial involvement of subordinates in the decision making process because in reality, the major decisions are still made by senior management. Management admires their subordinates' ideas and opinions and uses their valuable suggestions in constructive way.

Consultative system communication is usually downward. But critical upward communication is also flown with caution. There is a greater flow of information than the benevolent authoritative system from sub-ordinates to management. But it is incomplete and euphemistic in nature.

System 4: Participative system

In this system, management has complete confidence in their subordinates or employees. There is free flow of communication in all direction that means from managers to subordinates and vice-versa. Here, subordinates are actively involved in the decision making process and they can comfortably express their opinions in front of management.

There exists a team work in this system. The relationships between superiors and subordinates are very close. Teams are linked together by people whom Likert calls as "Linking pins" because they are the members of more than one team.

Employees feel that they are responsible for achieving the organizational objectives. Sub-ordinates are offered economic rewards for achieving organizational goals which they have set participating in the decision making process. Thus the sub-ordinates are motivated for their responsibility.

So, one can expect better industrial relations and higher productivity by applying this type of management system.



Euphemistic: It has been derived from Euphemism, which means delicate word or expression used for one that is offensive.



CHECK YOUR PROGRESS

Q 4: Mention four management system of Likert?

i) .....

ii) .....

iii) .....

iv) .....



9.8 LET US SUM UP

In this unit we have discussed the following-

- A manager as a leader can help in achieving the predetermined goals of an organization by winning the support of the human resources working there in.
- The leader has to influence the behaviour of the human resources in desired direction. The art or process adopted by the leader for influencing people in known as the leadership style.
- Basically there are three styles of Leadership -Autocratic, Democratic and Free-rein style of Leadership.
- Rensis Likert and his associates have studied the pattern and styles of managers and categorized four management systems. These are Exploitative authoritative, Benevolent authoritative, Consultative system and Participative system.



9.9 FURTHER READINGS

1) Gupta R.N. (2006). *Business organization and Management*. New Delhi: S. Chand & Company Ltd.

2) Gupta R.N. (2007). *Principles of Management*. New Delhi: S. Chand & Company Ltd.

9.10 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: i) It is a continuous process of influencing behaviour; it is not one-shot activity.

ii) It is a personal quality or character and behaviour in man, which enables him to motivate others.

iii) It presupposes the existence of a group of followers.

Ans to Q No 2: Five qualities of a good leader are-

i) Intelligence.

ii) Initiative and creative ability.

iii) Power of judgement.

iv) Vision and foresight.

v) Mental and emotional maturity.

Ans to Q No 3: i) - c ii) - b iii) - a

Ans to Q No 4: The four management system of Likert are-

i) Exploitative authoritative

ii) Benevolent authoritative

iii) Consultative system

iv) Participative system

9.11 MODEL QUESTIONS

Q 1: Define the role of a manager as the Leader in an organization.

Q 2: What are the three different styles of leadership? Explain its application in an organization according to the situation.

Q 3: Explain Likert's management system.

*** ***** ***

UNIT 10: MOTIVATION

UNIT STRUCTURE

10.1 Learning Objectives

10.2 Introduction

10.3 Meaning of Motivation

10.4 Importance of Motivation

10.5 Theories of Motivation

- 10.5.1 Maslow's Need Hierarchy Theory
- 10.5.2 Mc Gregor's Theory X and Theory Y
- 10.5.3 Herzberg's Two Factor Theory
- 10.5.4 Alderfer's Existence- Relatedeness Growth
- 10.5.5 Vroom's Expectancy Theory

10.6 Techniques of Motivation

- 10.6.1 Financial Incentives
- 10.6.2 Non-financial Incentives

10.7 Let Us Sum Up

10.8 Further Readings

10.9 Answers To Check Your Progress

10.10 Model Questions

10.1 LEARNING OBJECTIVES

After going through this unit you will be able to:

- define the term motivation
- describe the Maslow's Need Hierarchy theory of motivation and its limitations
- understand Mc Gregor's Theory X and Theory Y
- determine the relationship between Theory X and Theory Y
- explain the financial and non-financial techniques of motivation.

10.2 INTRODUCTION

A manager performs various functions to achieve the goals of an organisation. In the previous unit we have discussed the concepts and principles of leadership. In leading the people, the management has to inspire and motivate people for accomplishing organisational objectives. Motivation is the psychological force that motivates a person for action and continuously inspire him. In this unit we will explain what is motivation and its important theories. You will find this unit interesting as it will help you in understanding what motivate people.

10.3 MEANING OF MOTIVATION

The term 'motivation' is derived from the Latin word 'mover' which means to move and represent the force that moves people, and causes them to act. So, motivation can be defined as a process of channelling a person's inner drive so that he can strive to accomplish the goals of the organisation. Motivation is a behavioural concept by which we try to understand why people behave as they do. A human being is an organic entity and not a mechanical system. He or she is a self-activated person. The force of motivation lies within our mind. It is a dynamic force, setting a person into motion or action.

In this context, we can discuss some of the definitions of motivation given by management experts. Robert Dubin has defined motivation as "The complex of forces keeping a person at work in an organisation" Dalton E. Mc Farland said "The concept of motivation is mainly psychological. It relates to those forces operating within the individual employee or subordinate which impel him to act or not to act in certain ways." On the other hand, Koontz and O' Donnell defined motivation as "Motivation is a general term applying to the entire class of drives, desires, needs, wishes and similar forces". According to Edwin Flippo "Motivation is the process of attempting to influence others to do your will through the possibility of gain or reward"

Out of the above discussion, it can be understood that motivation is highly individualistic. It is the essence of human behaviour. Motivation consists

of three parts.They are a) Motives b) Motivating factors and c) Attainment of objectives. In an organisation motivation implies a planned management process, which stimulates people to work to the best of their capabilities for the realisation of the common goals of the enterprise. The process of motivation can be illustrated simply as follows

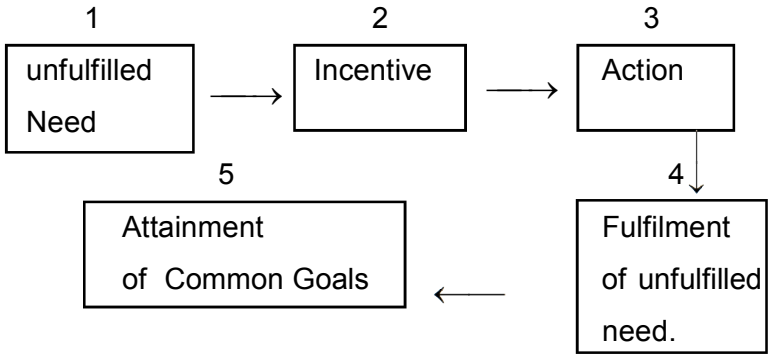


Figure - Process of Motivation



LET US KNOW

Motivation is one of the most important factors determining performance of employees. Motivated employees put in higher performance as compared to other employees. In a study by William James, it was found that motivated employees worked at close to 80-90 percent of their ability. The study further suggested that hourly employees could maintain their jobs, if they were not fired, by working approximately 20 to 30 percent of their ability.



ACTIVITY

1. Make a list of some unfulfilled needs of employees in an organisation
2. Find out few things blocking the persons in achieving their goals and also name some of them beyond their control.



CHECK YOUR PROGRESS

Q 1: How does motivation affect behaviour ?

.....

Q 2: What does happen when a person is not able to satisfy his needs?

.....

.....

10.4 IMPORTANCE OF MOTIVATION

Motivation is an important function of management. All managers should induce their employees on the job to extract performance by motivating them. Below, we discuss some important aspects of motivation.

i) **Utilisation of human resources :** By motivation techniques, management can properly utilise its human resources. This helps the managers to increase the productivity of employees. By virtue of motivation employees can understand organisational culture. Thereby, human resources can be properly utilised.

ii) Use of material resources : By motivating employees of an organisation, the material resources can also be used in a proper way which increases organisational efficiency.

iii) Willingness for work : In an organisation, there may be some employees who are physically and mentally capable to do work, but may not be willing to work. In such a situation, motivation can create willingness among the employees to work.

iv) Good labour relations : Motivation also helps an organisation in building up good labour relations. Thereby motivation become beneficial to management and employees. So, motivation can reduce different labour problems such as absenteeism, labour turnover, indiscipline, grievances etc.

v) Develops cooperation : Motivation can build up team spirit. Thereby, motivation makes it possible to increase collective effort of employees towards the organisation. So, motivation forms the basis for cooperation and attainment of organisational objectives.

vi) Improve skill and knowledge : Motivated employees always try to be as efficient as possible and to improve their skill and knowledge.

Because, motivated emplyees always resolve to do their responsibilities in the best manner.

vii) **Boosts Morale :** Morale implies the attitude and feelings of employees about their work as well as situation of work. Motivation can improve the attitude and feelings of employees towards works. So, motivation can also improve morale of employees.

viii) **Facilitates change :** Motivated employees are more receptive to accept changes. So, motivation helps the employees to adjust with changing environment.

ix) **Sense of belongingness :** Motivation can improve the sense of belongingness among the employees. As a result, employees can feel that organisation belongs to them. So, employees become more concerned about the well being of the organisation.

x) **Achieve organisational objectives :** Motivation can be understood as core of management. By motivation managers directly encourage the employees towards the accomplishment of organisational objectives.

10.5 THEORIES OF MOTIVATION

Now, we are aware of the fact that motivating the employees is very important in organisations. But motivating employees is a difficult task for the managers.

Many research work have been carried out on motivation. All of them emphasise that due to complex nature of human being no generalisation is possible. On the other hand, all theories are not universally applicable and these are affected by time, country, and circumstances. Imortant theories of motivation are dicussed below -

10.5.1 Maslow's Need Hierarchy Theory

A.H. Maslow has developed the Need Hierarchy Theory for understanding human needs. According to Maslow, human beings tend to follow a basic hierarchical pattern form the most basic needs to the highest

level needs. Until the basic needs are fulfilled, a person will not try to meet his her higher level needs. The theory of Maslow is based on the needs of the people. He proposed a hierarchy of five types of needs which are mentioned below-

1) **Physiological needs :** These are the primary needs of human beings and relate to the survival of the body. These needs are more or less universal. These are called the needs of lowest level and they are to be satisfied first for existence and survival. Unless these needs are satisfied other needs will not emerge. So, this is a powerful motivating force.

   The physiological needs are -

   Food, shelter, clothing, water, air, sleep, sex etc.

ii) **Safety or Security needs :** These needs come next in the hierarchy. They are concerned with physical and financial security. Man is always worried about security as life is full of uncertainities. So human beings always expect physical security, job security and security of income at all times. In an organisation, management can motivate employees by providing security against uncertainties in the form of secured jobs, insurance plans and pension plans.

   Examples of safety needs are protection against deprivation, danger and threat on or off the job e.g. unemployment; protection from physical harm, ill health, old age or any other reason.

iii) **Social needs :** Man being a social animal is always interested to live in a society or group which loves him most. He wants to give or receive love. These are to be reflected by recognition, conversation, sociabitity, exchange of feelings and grievances, acceptance and friendship. When social needs become dominant, a person will strive for meaningful relations with others.

   Examples of social needs are: affection, love, friendship, acceptance by the group, communication etc.

iv) **Esteem or Ego needs :** These needs relate to the prestige and respect of the individual and include such things as self-confidence, independence, achievement, competence, knowledge and control. Satisfation of thse needs produces feelings of self-confidence, prestige, power and control.. The esteem needs can be classified mainly into two types, such as 1) Self -esteem needs 2) Public esteem needs. Self-esteem needs refer to an individual's feeling that he is doing something worth while, while the public esteem needs refer the image in the eyes of the public like praise, admiration and public appreciation etc.

Examples of esteem needs are: Status, approval, appreciation, freedom from control, recognition, self- respect of others.

v) **Self Actualisation need :** It is also called self realisation needs. This refers to the need to realise specific goals. It is need "to become everything that one is capable of becoming". According to Maslow "This need might be phrased as the desire to become more and more what one is capable of becoming." A musician must make music, a poet must write, a general must win battles, an artist must paint, a teacher must teach if he is to be ultimately happy.

Examples of self actualisation need are : need for self-development, self-actualisation, self-advancement, desire to take on increased responsibilities etc.

Maslow's needs hierarchy is illustrated with the help of the following diagram.

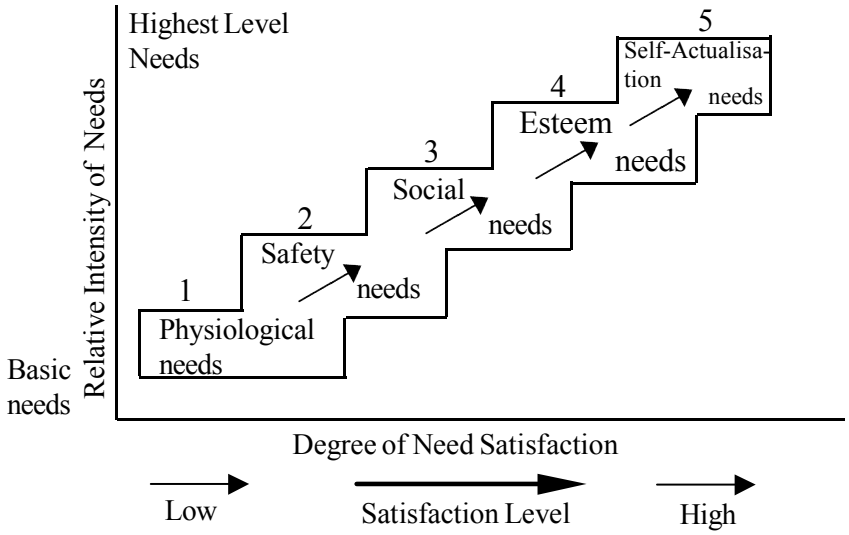


Figure : Maslow's needs hierarchy theory of Motivation

10.5.2 Mc Gregor's Theory X and Theory Y

Theory X and Theory Y were propounded by Douglas Mc Gregor who was a known psychologist. These theories are based on the dual nature of human beings. According to these theories management actions many flow from two assumptions.

Theory X :

This is a traditional theory of management. Theory X contains a set of negative assumptions about human behaviour.

Assumption of Theory X :

i) The average human being is basically lazy and has an inherant dislike for work. He will avoid work, if he can.

ii) Many people lack ambition. They are not interested in achievement. They like to be directed.

iii) Most people have little creativily for solving organisalional problems.

iv) Most people are indifferent to organisational goals.

v) Most people must be closely controlled and often threatened to achieve organisalional goals.

vi) Motivation of average human beings occur at the psychological and safety levels.

Assumption of Theory Y:

i) The average person does not inherently dislike work. He considers work as natural as play, if the conditions are favourable.

ii) External control and threat of punishment are not the only ways for bringing about efforts towards ortganisational objectives. Self- control and committment to the objectives of the organisation is often indispensible in achiving organisational goals.

iii) Average human being under proper conditions not only accept but also seek responsibility. Avoidance of responsibility, lack of ambition and emphasis on security are generally the consequences of experience not inherent in human charecteristics.

iv) The capacity of employees to cooperate with the management in solving organisational problems is widely present.

v) The modern industrial system have partially utilised the intellectual potentialities of employees.

Evaluation of Theory X and Theory Y :-

These theories are important tools in understanding the behaviour of human. It is also helpful in designing the incentive schemes to motivate the employees of an organisation. Of course, these two theories are not equally applicable to every situation as well as for all type of employees. The Theory X may be suitable for unskilled and uneducated employees. On the other hand, Theory Y may be suitable for skilled and educated employees. So management should combine these theories for different types of employees.

10.5.3 Herzberg's Two Factor Theory

During the late 1950's Fredrick Herzberg, a US behavioural scientist (Psychologist) and his associates developed two factor

theory of motivation. This theory is also known as Motivaion Maintenance Theory and Motivation Hygiene Theory. According to this theory, work dissatisfaction and satisfaction arise from two different sets of factors. These are motivational factors and hygiene or maintenance factors. These are described below -

Motivational Factors : These factors are mostly related to the job itself.The availability of these factors create a highly motivating situation. On the other hand, absence of these factors does not cause dissatisfaction. According to Herzberg, there are mainly six motivational factors, such as Achievement, Recognition, Advancement, Possibility of growth and Responsibility. Motivational factors are the primary cause of job satisfaction. The employer can increase the performance of employees by providing these factors. These factors differ from individual to individual.

Hygiene or Maintenance factors : Hygiene factors are mostly related to environment outside the job. Though, the availability of hygiene factors do not significantly motivate the employees, yet the absence of these factors cause serious dissatisfaction. These factors are necessary to maintain a reasonable level of satisfaction among the employees. According to Herzberg, various hygiene factors are company policies, and administration, supervision, interpersonal relationships, salary, job security working conditions, job status, personal life etc.

The Herzberg's theory of motivation is shown by the following diagram

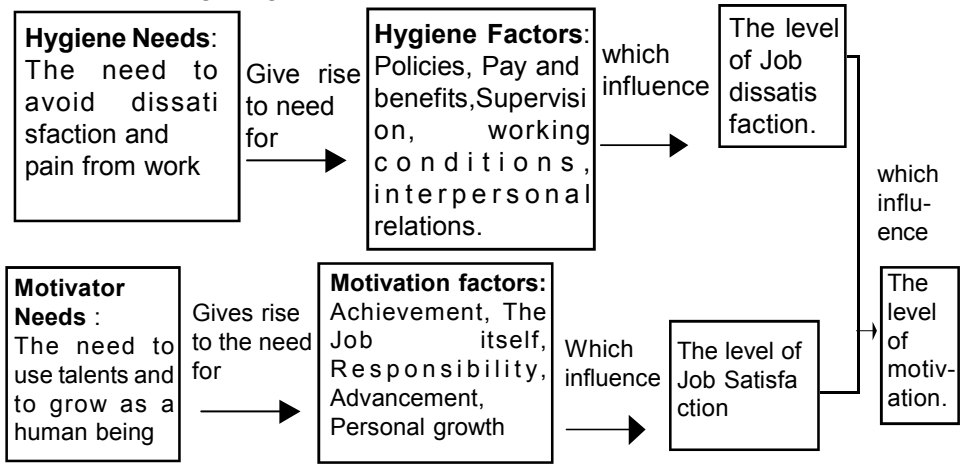


Figure : Herezberg's Theory of Motivation

10.5.4 Alderfer's Existence- Relatedeness Growth (ERG)

Motivation Theory :

Clayton Alderfer condensed the Maslow's five needs categories into three sets. According to Alderfer there is a doubt about the existence of the five distinct needs of Maslow. Because, there is a overlapping between the security, social and physiological needs. Moreover, the lines between esteem social and self-actualisation needs are not entirely clear. According to Clayton Alderfer, three sets of human need are as follows

i) **Existence Need :** These include all forms of material and physiological and safety needs ie. Maslow's first two level needs.

ii) **Relatedness Need :** This includes all needs that involve relationships with other people we care about. Relatedness needs cover Maslow's social needs and esteem needs which are derived from other people.

iii) **Growth Need :** Growth need is like Self - Actualisation need of Maslow. Growth needs involve persons making creative efforts to achieve full potential in the existence environment. Maslow, Alderfer also argued that as one need is satisfied we proceed to the next higher need, Further he argued that alongwith satisfaction progression, we can experience frustration. So if we are unable to satisfy needs to a given level of abstractness, then we drop back and focus on more concrete needs. Hence, if we are unable to satisfy our growth needs, we again focus on relatedness needs, Thus we can go in cycles, focusing on one need, then another and then back again

10.5.5 Vroom's Expectancy Theory

This theory was introduced by Victor Vroom in 1964. According to this theory motivation is a product of the anticipated

worth to a person of an action and the perceived probability that a person's goals would be achieved.

This theory is based on three concepts, such as Valence, Expectancy and Instrumentality. According to Vroom, motivation is a force which is equivalent to the product of valence, expectancy and instrumentality. Below, we briefly describe these three concepts.

i) **Valence :** It implies the preference that people have for a particular outcome or incentive or reward. Valence is the importance or value that an individual places on the potential outcome, which is achieved on the job. Valence becomes positive for a person, if he prefers attaining the outcome to not attaining it. If the person prefers not attaining outcome to attaining outcome, then his valence will be negative, In cases, where he is indifferent towards the outcome his valence will be zero.

Expectancy :

Expectancy is the effort performance probability. Expectancy is the extent to which a person feels that his effort will lead to first level outcome in achieving the goals of the organisation. Expectancy is such type of probability that a specific action will lead to the outcome. It can also be defined as a perception in the mind of an individual that a particular action or behaviour will lead him to a certain outcome. The value of expectancy, is ranging between 0 and 1, because, it is an association between effort and performance.If the probability of achieving an outcome is zero, then the person will not try at all. If the probability of outcome is higher, the person will agree to put more effort to achieve the desired outcome.

Instrumentality :

It implies to the degree to which a first level outcome will lead to a desired second level outcome. This is a relationship between the first level outcome and second level outcome. People will be motivated towards work if they expect enhanced effort to lead to reward and value the rewards resulting from their efforts.

So, according to this theory motivation can be expressed in the form of an equation as given below.

Motivation = V x Ex I.

Where, V = Value, E = expectancy and I = Instrumentality.



ACTIVITY 1

1. " In organisations a relationship may be observed between employees', motivation, employees' behaviour and enterperise objectives" - Give your comment.
2. "Man is bundle of complex instincts-physical, intellectual, social, spiritual, economic, and psychological desires" Explain how can a good manager use these instincts and desire in motivating his subordinates .

10.6 TECHNIQUES OF MOTIVATION

In human behaviour, individual need plays the role of driving force. So the management should try to govern the behaviour of employees in satisfying their needs.

Incentives are the objects which are perceived to satisfy the human needs. Individuals have both financial needs and non-financial needs. On the basis of these two needs, management uses two different types of techniques for motivation. These are financial incentives and non- financial incentives.

10.6.1 Financial incentives

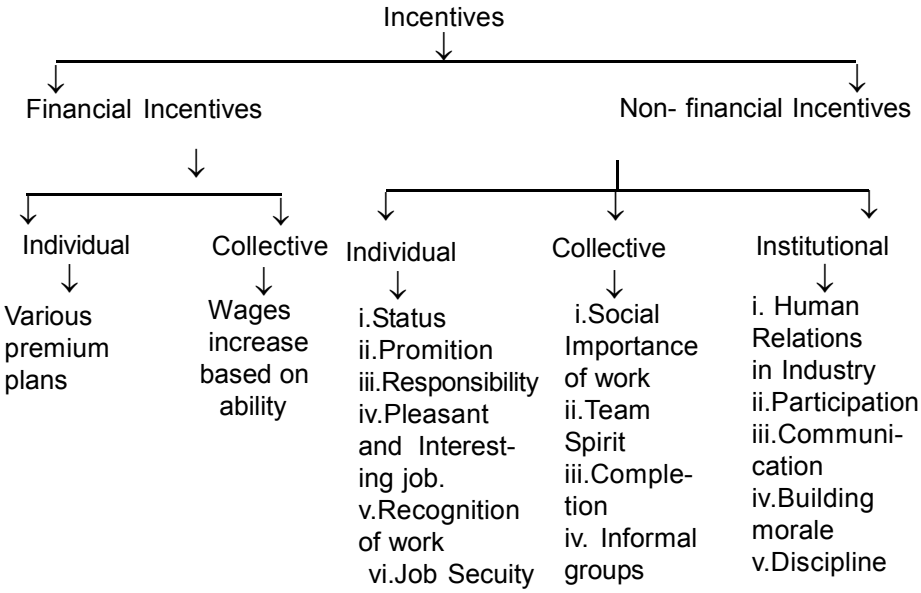
Financial incentives imply that more payment of money to the worker is an important motivating factor. Financial incentives are also called monetary incentives These include wages, salaries, bonus, prize, income on investment and dividend. Money has the highest exchange value. So people can satisfy their needs through money. Of course, monetary incentives can be for the positive work. Amount of extra money may be paid to increase production or to motivate the workers to do more work.

On the other hand, monetary incentives may be for negative work, such as for not doing a work. Moreover, financial incentives may be given personally as well as collectively.

10.6.2 Non-financial incentives

Non-financial incentives imply all social and psychological attractions through which workers are encourged to give in their best work. Though money is an impotant incentive, yet workers do not work only for money. They also want to take incentives for satisfying their social and psychological needs. Non-financial incentives improve the workers interest in work, minimise accidents, and create interest in organisations. Non- financial incentives may be personal, collective and institutional.

From the following chart we may understand different financial and non- financial incentives.



Distinctions between financial and non- financial incentives-

Financial incentives differ from non- financial incentives in the following ways.

S. No	Basis of Distrinction	Financial Incentives	Non- Financial Incentives
1.	Mode	Financial incentives are given in terms of money such as wages, salary, bonus, commission	Non- Financial incentives are not given in terms of money
2.	Basis of Determin-ation	Financial incentives are determined on the basis of cost of living, agreement of service, benefits offered by the competitors. etc.	Non - financial incentives are determined on the basis of nature of job, attitude of management and aspirations of employees.
3	Level	Financial incentives may be used to motivate employees and workers at lower level. However, this doesnot disregard use of non-financial incentives.	Non- financial incentives may be used to motivate managerial personnel, such as Directors, managers, chairman etc.However, this doesnot disregard use of non-financial incentives.



ACTIVITY

1. "Money holds the key to work motivation in modern business organisation" Do you agree with this statement. Give reasons for your answer.

2. "Non- financial incentives are as strong motivators as the financial incentives" Mention few situations, where employees would like to enjoy both non- financial and financial incentives.



10.7 LET US SUM UP

In this unit, we have discussed the following aspects -

- Motivation is highly individualistic. Motivation is a process of influencing others, to do your will through the possibility of gaining reward.
- A.H. Maslow has developed a need hierchy model, which includes five needs of human such as physiological needs and safety needs, social needs, esteem needs and self actualisation needs.
- Mc Gregor introduced Theoy X and Theory Y. These theories are based on the dual nature of human beings. The Theory X assumes that average people are basically lazy and dislike work. The Theory Y assumes that person does not inheretly dislike work.

10.8 FURTHER READINGS

1) Gupta R.N. (2006). *Business organization and Management*. New Delhi: S. Chand & Company Ltd.
2) Gupta R.N. (2007). *Principles of Management*. New Delhi: S. Chand & Company Ltd.

10.9 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Motivation is related with motive. Motive is an internal factor that integrates a man's behaviour. Motive can be known by studying the behaviour of a person. Different motives operates at different times among different people and influence their behaviour.

Ans to Q No 2: An unsatisfied need creates tension and the person will not be able to give attention on his duites and activities. When a person is not able to satisfy his needs then he will not be stable at his work and may suffer from frustration.

10.10 MODEL QUESTIONS

Q 1: What is motivation ?

Q 2: Explain Maslow's theory of motivation? How does this theory help the managers in motivating employees

Q 3: Explain the Theory X and Theory Y.

Q 4: Describe various financial and non- financial incentives.

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