

# Master of Business Administration

(Open and Distance Learning Mode)

Semester – I



## Management Principles and Practices

**Centre for Distance and Online Education (CDOE)**

**DEVI AHILYA VISHWAVIDYALAYA, INDORE**

“A+” Grade Accredited by NAAC

IET Campus, Khandwa Road, Indore - 452001

[www.cdoedavv.ac.in](http://www.cdoedavv.ac.in)

[www.dde.dauniv.ac.in](http://www.dde.dauniv.ac.in)

**CDOE-DAVV**

---

**Program Coordinator**

---

**Dr. Manishkant Arya**

Centre for Distance and Online Education (CDOE)  
Devi Ahilya Vishwavidyalaya, Indore – 452001

---

**Content Design Committee**

---

**Dr. Sangita Jain**

Institute of Management Studies  
Devi Ahilya Vishwavidyalaya, Indore – 452001

**Dr. Yamini Karmarkar**

Institute of Management Studies  
Devi Ahilya Vishwavidyalaya, Indore – 452001

**Dr. Geeta Neema**

International Institute of Professional Studies  
Devi Ahilya Vishwavidyalaya, Indore – 452001

**Dr. Manishkant Arya**

Centre for Distance and Online Education (CDOE)  
Devi Ahilya Vishwavidyalaya, Indore - 452001

---

**Language Editors**

---

**Dr. Arti Sharan**

Institute of Engineering & Technology  
Devi Ahilya Vishwavidyalaya, Indore – 452001

**Dr. Ruchi Singh**

Institute of Engineering & Technology  
Devi Ahilya Vishwavidyalaya, Indore – 452001

---

**SLM Author(s)**

---

**Dr. Neelmegh Chaturvedi**

MBA, PhD  
EMRC, Devi Ahilya Vishwavidyalaya, Indore – 452001

**Mr. Neal Jain**

MBA  
EMRC, Devi Ahilya Vishwavidyalaya, Indore – 452001

---

**Copyright** : Centre for Distance and Online Education (CDOE), Devi Ahilya Vishwavidyalaya**Edition** : 2022 (Restricted Circulation)**Published by** : Centre for Distance and Online Education (CDOE), Devi Ahilya Vishwavidyalaya**Printed at** : University Press, Devi Ahilya Vishwavidyalaya, Indore – 452001

---

**Management Principles  
&  
Practices**



# Table of Content

## **UNIT-1 : PROCESS OF MANAGEMENT, EVOLUTION OF MANAGEMENT - SCHOOL OF THOUGHTS**

- 1.0 Objectives
- 1.1 Introduction
- 1.2 Definition - Process of Management
- 1.3 Elements of Management Process
  - 1.3.1 Work Agenda
  - 1.3.2 Factors affecting Work Agenda
  - 1.3.3 Work Methods and Managerial Roles
- 1.4 Management Process
- 1.5 Evolution of Management
- 1.6 Management theories
- 1.7 Principles of Scientific Management
- 1.8 General Administrative Theorists
- 1.9 Quantitative Approach to Management
- 1.10 Behavioural Approach to Management
- 1.11 Systems Approach to Management
- 1.12 Contingency Approach to Management
- 1.13 Human Resource Approach to Management
- 1.14 Summary
- 1.15 Self assessment Questions
- 1.16 Reference
- 1.17 Case Study

## **UNIT -2 : TOTAL QUALITY MANAGEMENT, LEARNING ORGANISATIONS**

- 2.0 Objectives
- 2.1 Introduction
- 2.2 Definition - Quality
- 2.3 Seven faces of quality

- 2.4 Factors affecting quality
- 2.5 Different dimensions of quality
- 2.6 Total Quality - Introduction
- 2.7 Principles of Total Quality.
- 2.8 PDCA cycle
- 2.9 Salient features of TQM
- 2.10 Principles of TQM
- 2.11 TQM methods
- 2.12 Benefits of TQM
- 2.13 Obstacles of TQM
- 2.14 Learning Organisations –Introduction
- 2.15 Characteristics of Learning Organisations
- 2.16 Why Learning Organisations
- 2.17 Benefits of Learning Organisations
- 2.18 Barriers to Learning Organisations.
- 2.19 Summary
- 2.20 Self assessment Questions
- 2.21 Reference
- 2.22 Case Study

**UNIT -3 : TRENDS IN MANAGEMENT, CONTRIBUTIONS OF MANAGEMENT GURUS - PETER DRUCKER, MICHAEL PORTER, C.K. PRAHALAD, SHI KHERA, A CHAUDARY, GARY HAMEL, MICHAELHAMMER, JACK TROUT, AI RIES AND TOM PETERS -**

- 3.0 Objectives
- 3.1 Introduction –Trends in management
- 3.2 Peter Drucker
- 3.3 C.K Prahalad
- 3.4 A Chaudary
- 3.5 Shiv Khera
- 3.6 Michael Hammer
- 3.7 Michael Porter

- 3.8 Gary Hamel
- 3.9 Al Ries
- 3.10 Jack Trout
- 3.11 Tom Peters
- 3.12 Summary
- 3.13 Self Assessment Questions
- 3.14 References

#### **UNIT –4 : MANAGEMENT AS ARTS / SCIENCE AND PROFESSION.**

#### **MANAGEMENT LEVELS AND SKILLS, MANAGERIAL ROLES, MINTZ BERG'S ROLES OF PRESENT MANAGERS**

- 4.0 Objectives
- 4.1 Introduction
- 4.2 Management as science
- 4.3 Management as Art
- 4.4 Management as a profession
- 4.5 Management Levels
  - 4.5.1 Top level managers
  - 4.5.2 Middle level managers
  - 4.5.3 Lower level managers
- 4.6 Functional Managers
- 4.7 General Managers
- 4.8 Line managers
- 4.9 Staff managers
- 4.10 Management skills
  - 4.10.1 Technical skill
  - 4.10.2 Human skill
  - 4.10.3 Conceptual skill
- 4.11 Role Managers Play
- 4.12 Mintz Berg's roles of present managers
- 4.13 Summary
- 4.14 Self assessment Questions

4.15 References

## **UNIT – 5: NATURE, IMPORTANCE AND APPROACHES TO PLANNING**

5.0 Objectives

5.1 Introduction

5.2 Meaning and Definition

5.3 Nature of Planning

5.4 Need for Planning

5.5 Approaches to Planning

5.6 Major Steps in the Process of Planning

5.7 Summary

5.8 Self Assessment Questions

5.9 References

## **UNIT - 6 : VARIOUS TYPES OF PLANS**

6.0 Objectives

6.1 Introduction

6.2 Elements of Planning

6.3 Types of Plans

6.4 Corporate Planning

6.5 Strategic Planning

6.6 Operational Planning

6.7 Summary

6.8 Self Assessment Questions

6.9 Reference

## **UNIT - 7 : MANAGEMENT BY OBJECTIVES STRUCTURE**

7.0 Objectives

7.1 Introduction

7.2 Meaning and Definition of MBO

7.3 Process of MBO

7.4 Benefits of MBO



- 7.5 Drawbacks of MBO
- 7.6 Summary
- 7.7 Self Assessment Questions
- 7.8 References

## **UNIT - 8 : DECISION-MAKING**

- 8.0 Objectives
- 8.1 Introduction
- 8.2 Meaning and Definition
- 8.3 Important Elements in Decision-Making
- 8.4 Decision-Making Process
- 8.5 Individual Vs Group Decision-Making
- 8.6 Types of Decision-Making
- 8.7 Techniques of Decision-Making
- 8.8 Modern Techniques of Decision - Making
- 8.9 Summary
- 8.10 Self Assessment Questions
- 8.11 Reference

## **UNIT-9: PRINCIPLES OF ORGANISATION**

- 9.00 Objectives
- 9.01 Introduction
- 9.02 Meaning and definitions of organization
- 9.03 Nature and Characteristics of Organisation:
- 9.04 Importance of Organisation
- 9.05 Principles of Organisation
- 9.06 Organization as a process
- 9.07 Formal and Informal organisations
- 9.08 Types of organisations
- 9.09 Criticisms to the traditional view of organizations
- 9.10 Entrepreneurship
- 9.11 Development of entrepreneurship

- 9.12 Benefits of entrepreneuring
- 9.13 Barriers to entrepreneurship
- 9.14 How to overcome these barriers
- 9.11 Let us sum up
- 9.12 Self Assignment Questions
- 9.13 Case Study
- 9.14 References

## **UNIT - 10: ORGANISATION HIERARCHY STRUCTURE**

- 10.0 Objectives
- 10.1 Introduction
- 10.2 Meaning and definitions of organization structure
- 10.3 Importance of Organization Structure
- 10.4 Levels of managements in organizations.
- 10.5 Features of good organization structure
- 10.6 Major decisions in designing an organizational structure
- 10.7 Variable factors in designing organization structure
- 10.8 Building vertical dimension of organization
- 10. 9 Building horizontal dimension of organization
- 10.9 Bases of organizational structure
- 10.11 Let us sum up
- 10.12 Keywords
- 10.13 Self Assignment Questions
- 10.14 Case Study
- 10.15 References

## **UNIT - 11: DEPARTMENTATION AND DELEGATION**

- 11.0 Objectives
- 11.1 Introduction
- 11.2 Meaning and definitions of departmentation
- 11.3 The purpose and importance of departmentalization
- 11.4 Bases of Departmentation

- 11.5 Principles of Departmentation
- 11.6 Principles of Delegation
- 11.7 Features of Delegation
- 11.8 Difference between Delegation and Decentralization
- 11.9 Principles of Delegation
- 11.10 Principal Tasks of Effective Delegation
- 11.11 Advantages of Effective Delegation
- 11.12 Disadvantages of Delegation
- 11.13 Let us sum up
- 11.14 Keywords
- 11.15 Self Assignment Questions
- 11.16 Case Study
- 11.17 References

## **UNIT -12 : STAFFING**

- 12.0 Objectives
- 12.1 Introduction
- 12.2 Concept of staffing
  - 12.2.1 Process of staffing
- 12.3 Recruitment
  - 12.3.1 Recruitment policy
  - 12.3.2 Source of recruitment
  - 12.3.3 Recruitment process
- 12.4 Selection
  - 12.4.1 Step in the selection process
  - 12.4.2 Selection Test
  - 12.4.3 Interviews
- 12.5 System approaches
- 12.6 Manpower planning
  - 12.6.1 The process of human resource planning
- 12.7 Job design
  - 12.7.1 Different approaches to job design

- 12.8 Modern management techniques
- 12.9 Training and Development
  - 12.9.1 The need for Training & Development
  - 12.9.2 Assessing Training need
  - 12.9.3 Methods of Training
- 12.10 Performance Appraisal
  - 12.10.1 Kinds of Performance appraisal
- 12.11 Let us sum up
- 12.12 Self Assessment Test
- 12.13 Glossary of the terms used in the test
- 12.14 Suggested answer to check your progress
- 12.15 References

### **UNIT-13 : DIRECTING**

- 13.0 Objectives
- 13.1 Introduction
- 13.2 Meaning of Directing
- 13.3 Definition of Directing
- 13.4 Characteristics of Directing
- 13.5 Significance of Directing
- 13.6 Process of Directing
- 13.7 Principles of Directing
- 13.8 Elements of Directing
- 13.9 Approaches of Directing
- 13.10 Summary
- 13.11 Self Assessment Questions
- 13.12 References

### **UNIT -14 : COORDINATION**

- 14.0 Objectives
- 14.1 Introduction
- 14.2 Meaning

- 14.3 Definition
- 14.4 Elements of Coordination
- 14.5 Characteristic features of Coordination
- 14.6 Types of Coordination
- 14.7 Principles of Coordination
- 14.8 Significance of Coordination
- 14.9 Techniques of Coordination
- 14.10 Summary
- 14.11 Self Assessment Questions
- 14.12 References

## **UNIT- 15 : LEADERSHIP**

- 15.0 Objectives
- 15.1 Introduction
- 15.2 Definition of Leadership
- 15.3 Formal and Informal Leadership Styles
- 15.4 Theories of Leadership
- 15.5 Styles of Leadership
- 15.6 Qualities and Characteristics of Good Leader
- 15.7 Summary
- 15.8 Self Assessment Questions
- 15.9 References

## **UNIT-16: MOTIVATION**

- 16.0 Objectives
- 16.1 Introduction
- 16.2 Definition of Motivation
- 16.3 Importance of Motivation
- 16.4 Essential Features of a good motivation system
- 16.5 Theories of Motivation
- 16.6 Summary
- 16.7 Self Assessment Questions

16.8 References

## **UNIT -17:CONTROL-INTRODUCTION**

17.0 Objectives

17.1 Introduction

17.2 Control-Meaning

17.3 Steps in Control Process

17.4 Need for Control

17.5 Types of Control

17.6 Symptoms of Inadequate Control

17.7 Summary

17.8 Self Assessment Questions

17.9 Reference

## **UNIT - 18 : CONTROL SYSTEMS**

18.0 Objectives

18.1 Introduction

18.2 Characteristics of effective control

18.3 Control - Pre-Requisites

18.4 Human aspect of control

18.5 Behavioural implications of control

18.6 Behavioural guidelines for effective control

18.7 Summary

18.9 Self Assessment Questions

18.10 Reference

## **UNIT - 19 : CONTROL TECHNIQUES**

19.0 Objectives

19.1 Introduction

19.2 Control Techniques

19.3 Break Even analyses

19.4 Budgeting

- 19.5 Budget- Approaches
- 19.6 Characteristics of Effective Budgetary Control Systems
- 19.7 Benefits of Zero based budgeting
- 19.8 Benefits of budgetary control
- 19.9 Limitations of budgetary control
- 19.10 Financial Control
- 19.11 TQM Techniques
- 19.12 Summary
- 19.13 Self Assesment Questions
- 19.14 Reference

## **UNIT - 20: ROLE OF TECHNOLOGY - CONTROL FUNCTIONS**

- 20.0 Objectives
- 20.1 Introduction
- 20.2 Importance of Information Technology in Controlling
- 20.3 Information
- 20.4 Types of information systems
- 20.5 Developing an MIS
- 20.6 Enterprise Audit
- 20.7 Social Audit
- 20.8 Trends in Quality and Financial Control.
- 20.9 Managing Challenges of Work Force Diversity
- 20.10 Summary
- 20.11 Self Assesment Questions
- 20.12 Reference

---

# **UNIT-1 : PROCESS OF MANAGEMENT, EVOLUTION OF MANAGEMENT - SCHOOL OF THOUGHTS**

---

## **Structure**

- 1.0 Objectives
- 1.1 Introduction
- 1.2 Definition - Process of Management
- 1.3 Elements of Management Process
  - 1.3.1 Work Agenda
    - 1.3.1 Factors affecting Work Agenda
    - 1.3.2 Work Methods and Managerial Roles
- 1.4 Management Process
- 1.5 Evolution of Management
- 1.6 Management theories
- 1.7 Principles of Scientific Management
- 1.8 General Administrative Theorists
- 1.9 Quantitative Approach to Management
- 1.10 Behavioural Approach to Management
- 1.11 Systems Approach to Management
- 1.12 Contingency Approach to Management
- 1.13 Human Resource Approach to Management
- 1.14 Summary
- 1.15 Self assessment Questions
- 1.16 Reference
- 1.17 Case Study



---

## 1.0 OBJECTIVES

---

After studying this unit you will be in a position

- To define management.
- State the elements of management process.
- Define work agenda
- Mention the different theories of management.

---

## 1.1 INTRODUCTION

---

Management in simple terms, can be defined as the attainment of organisational goals in an effective and efficient manner through: Planning, Organizing, Leading, Controlling and Staffing. Management makes human efforts more productive and brings better technology, products and services to the society. Management is a function of getting things done through and with people in formally organised groups. And directing the efforts of individuals towards a common objective. Managers guide and coordinate the efforts of other towards certain specified goals. The skills which are required to get things done through people consist of conceptual skills, technical skills, and administrative skills, and social skills. Without proper management the resources of production i.e., men machine and materials cannot be converted into production. Thus management is a vital function concerned with all aspects of the working of an organisation. It is the art of creating the environment in which people can perform as individuals and yet cooperate towards attainment of groups goals and removing hindrances to high performance, a way of optimizing efficiency to reach goals.

Management is a vital aspect of the economic life of man, which is an organized group activity. It is a activity consisting of a distinct process which is primarily concerned with the important task of goal achievement.

---

## 1.2 PROCESS OF MANAGEMENT

---

**Definition:** **Management Process** is the set of ongoing decisions and work activities in which managers engage as they plan, organize, lead and control. A manager manages the work activities and are usually done in a continuous manner hence it is referred to as a process.

The process of management involves the determination of objective and putting them into action. Management as a process is considered as a continuing

activity made up of basic management functions. The process is on going. It assumes a cyclical character: Planning, Organising, Direction and controlling. A manager performs various functions. When management is reviewed as a process, planning is the first function performed by the manager. The work of manager begins by setting the objectives. Next is organising i.e., Bringing together personnel, capital machinery , materials to execute the plans. Staffing involves filling positions needed in the organisation which includes manpower planning , training, motivation and performance appraisal. Managing workers through proper leadership effective communication is important part of the process of directing and finally measuring actual results with standard performance to find out for deviations and taking corrective actions as and when necessary.

A process is a sequence of activities that is intended to achieve some result. It is a unique combination of elements, conditions or causes that collectively produces a given outcome or set of results. There are various ways of looking at the management Process. Some of which are:

1. The traditional view point of management focuses on what the managers do. It is generally accepted that they perform four functions ie., Planning ,organising, Leading and Controlling. Planning involves defining organizational goals and proposing ways to reach them. Organising is the process of creating a structure of relationships within the organisation that enables employees to interact with one another, to interact with managers and to carry out management's plans and meet its goals. Leading involves communicating with and motivating others to perform the tasks necessary to achieve the organisation's goals. And lastly controlling is the process by which a person consciously monitors performance and takes corrective action. In controlling managers set standards of performance, measure current performance against those standards, and take action to correct any deviation and adjust the standards if necessary.

2. Behavioural view point of management focuses on the role which managers play while performing the four basic managerial functions. In the figurehead role, the manager represents the organisation at ceremonial and symbolic functions. The leader role of the manager involves responsibility for directing and co-ordinating the activities of employees in order to accomplish organisational goals. As a liaison role manager deals with people outside the organization. Such people include clients, government officials, customers and suppliers. He seeks support from people who can affect the organization's success, such as the Chamber of Commerce.

3. Systems and Contingency viewpoint of Management recognises that an organisation is an association of interrelated and interdependent parts or sub-systems. The organisation has to interact with various external 'systems' such as supplier, customers, shareholders, and government agencies. A manager with a systems view of management will only make decision after identifying and analyzing how other managers, department, or customers might be affected by the decisions. The underlying principle of Contingency viewpoint of management is that different situations require different practices. It recommends using the other three management viewpoints, namely the traditional, Behavioural and systems viewpoints, independently or in combination, as necessary and appropriate to deal with various situations. Managers are required to determine which of these three approaches is likely to be more effective than others in a given situation.

Management is what managers do. Management is the process of coordinating work activities so that they are completed efficiently and effectively with and through other people. The process represents the ongoing functions or primary activities engaged in by managers. Efficiency refers to getting the most output from the least amount of inputs. Effectiveness is often described as "doing the right things". Management is the process of planning, organising, staffing, directing and controlling the efforts of organisation members in utilizing all resources to achieve organizational goals, objectives and mission. ***Management is a process as it operates the activities systematically.***

---

### **1.3 ELEMENTS OF MANAGEMENT PROCESS**

---

Steven J Carroll and Dennis J Gillen have identified the following elements of the management process. :

- Work Agenda
- Work methods and managerial roles
- Management functions
- Knowledge base and key management skills
- Performance ( goal achievement)

#### ***1.3.1 Work Agenda***

Kotter – Managers contribute towards organizational output through work agenda. A work agenda is a loosely connected set of tentative goals and tasks that a manager is attempting to accomplish. It is the broad outline within which the

managers have to guide their actions and those of others. These agendas are prepared for both short-run and long-run job responsibilities. Managers are required to perform various managerial roles i.e., **Interpersonal , Informational, Decisional Roles** – for putting these work agendas into practice , for example, managers have to act as monitors , spokespersons, negotiators and figurehead so that they can work actively according to work agendas.

**Interpersonal roles:**

Manager as the figure head

Managers as the leader

Manager as the liaison

**Informational roles:**

Managers as monitors

Managers as disseminators

Managers as spokespersons

**Decisional roles:**

Managers as entrepreneurs

Managers as disturbance handlers

Managers as resource allocators

Managers as negotiators

**1.3.1 Factors affecting work agendas**

Three factors that affect work agenda are Job demands, Job constraints and Job choices

**Job demands** are the demands that a manager must fulfill. The various requirements or demands of the job require different skills to be possessed by managers like conceptual, Human and Technical skills in varying degrees and are normally related to the overall goals and plans of the organization.

**Job constraints** are the factors that limit the managers' capacity to work on the job as defined under job demands. While working on a job, managers are constrained by factors which are both internal and external to the organization. The various internal constraints are the managers' abilities, availability of resources, industrial relations etc and the external constraints are the legal, political, technological, economic and social factors which can delimit the capacity of managers to work within work agendas.

**Job Choices** :The work agendas are also reflected by the **job choices** that the managers wish or do not wish to undertake. Within the framework of job demands and job constraints, the managers often exercise their discretion to carry out certain jobs on their own and delegate the rest to their sub-ordinates. They may even take up additional responsibilities with respect to the jobs that they are entrusted with and delete some of the activities related to their present jobs.

### ***1.3.2 Work Methods and Managerial roles***

On the basis of the study conducted by Henry Mintzberg to find out what managers actually did on the job, the following conclusions are drawn

**Work Methods** - Work methods relate to the way the managers work. The commonly held notion is that managers spend a considerable time in planning and organizing the organizational activities and solving the organizational problems which actually is not the case. The following observations have been made by Mintzberg regarding the work methods adopted by the managers.

- Unrelenting pace
- Brevity, variety and fragmentation
- Verbal contacts and networks

**Unrelenting Pace** :It was observed that managers do not spend as much time on planning as is normally expected of them. Rather, they are, most of the times, working at such a fast pace, either attending meetings/conferences or addressing subordinates that they do not even have time to enjoy a proper lunch break.

**Brevity, Variety and Fragmentation** : The managers have to perform such a wide variety of tasks –from receiving a routine telephone call to deciding about various multinational corporate issues- that they tend to be brief over each of their varied activities. They are often interrupted by other issues before they can solve the prior ones. Planning of various organizational matters was, therefore, left to be taken care of after the normal working hours of the office.

**Verbal Contacts and Networks:** Managers are assumed to have preference for verbal communication with their superiors, peers and subordinates rather than written communication. This communication is facilitated through networks. A network has been defined as a set of co-operative relationships with individuals whose help is needed in order for a manager to function effectively. The individuals helping the managers can be who are internal and external to the

organization like the superiors, peers, subordinates, customers, suppliers, and consultants.

**Managerial Roles :** Managers perform multiple roles which have been broadly classified into three main categories:

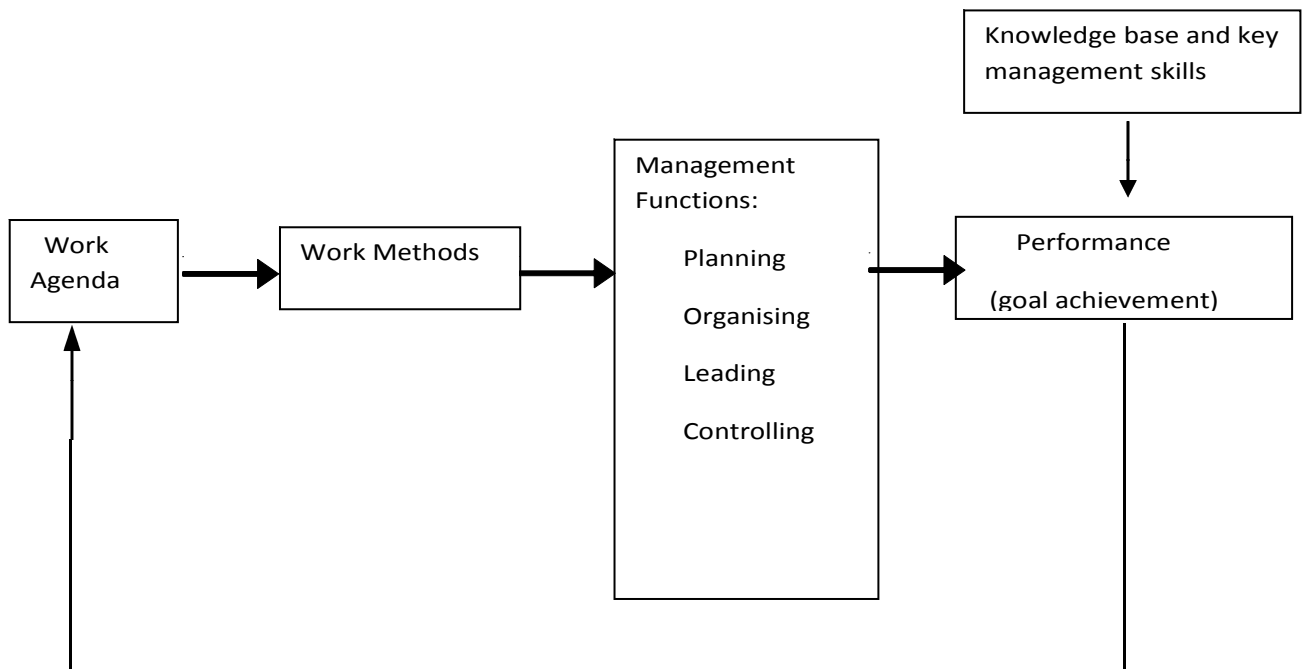
- Interpersonal Roles
- Informational Roles
- Decisional Roles

In the beginning of the 21<sup>st</sup> century Henri Fayol , an French Industrialist proposed that all managers perform five management functions: planning, organizing, commanding, coordinating and controlling. As organisations exist to achieve some particular purpose, it is very important to clearly define that purpose and the means for it achievement. The reality of managing is not quite simplistic. There are no simple , cut-and-dried beginning or ending points as mangers plan, organize, lead and control.

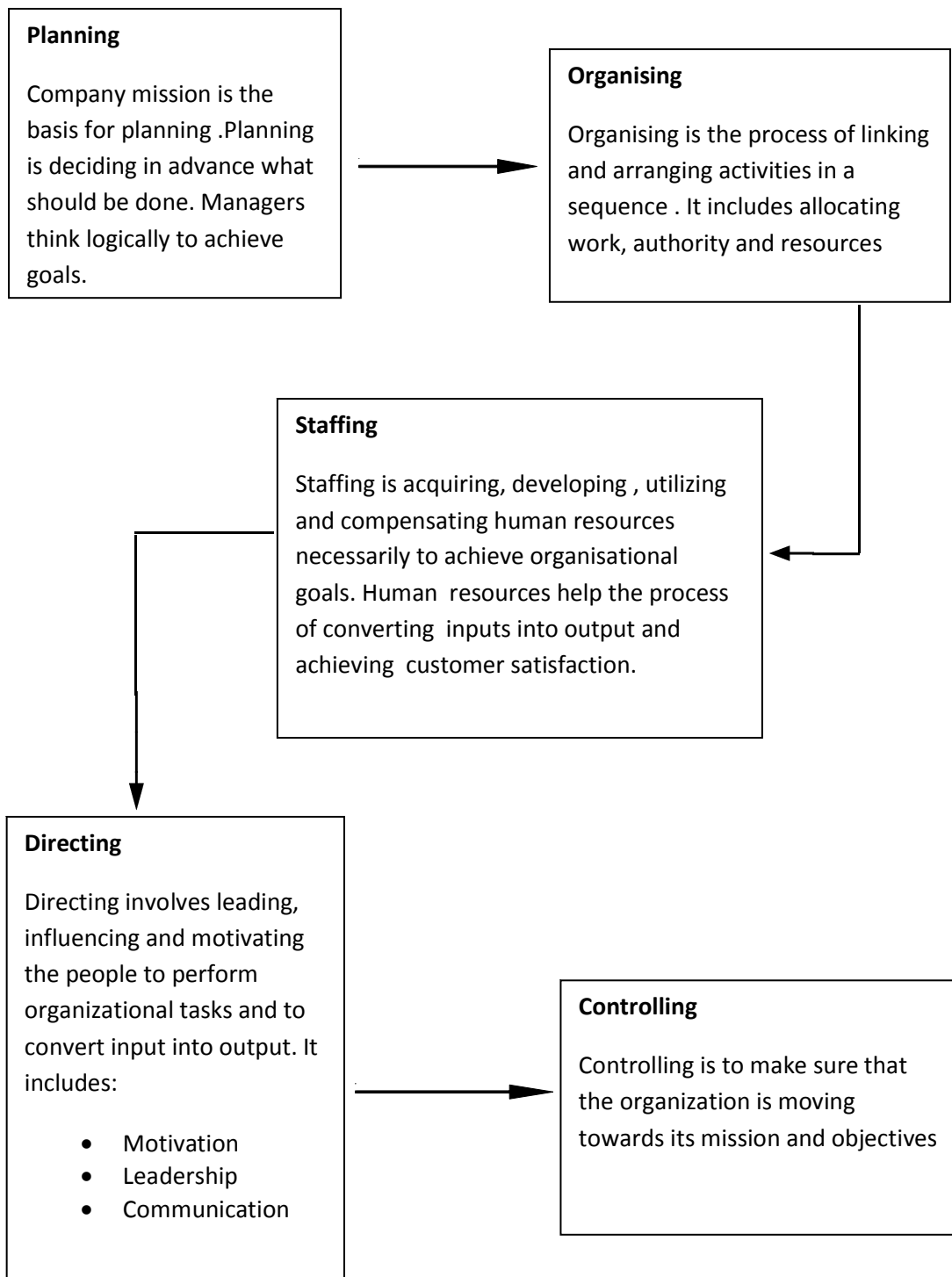
---

## 1.4 MANAGEMENT PROCESS

---



## THE MANAGEMENT PROCESS

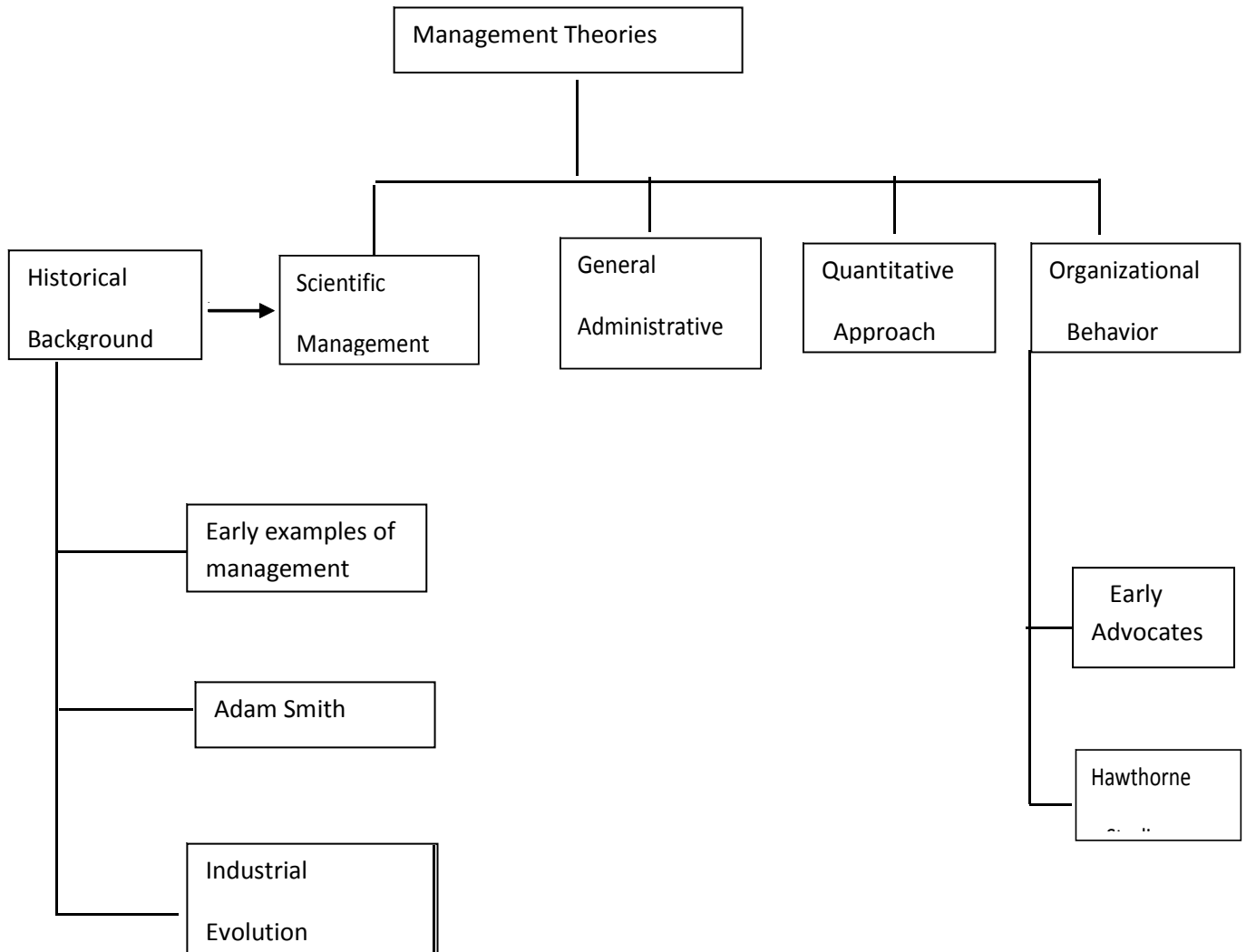


### Evolution of Management - School of thoughts

---

## 1.5 EVOLUTION OF MANAGEMENT THOUGHT FROM EARLY POINEERS TO MODERN MANAGEMENT THINKERS

---




---

## 1.6 MANAGEMENT THEORIES

---

Principles of management are evolved and different approaches to management are designed. The first among the management theories is scientific management.

### *Scientific Management:*

The practice of management has existed since the earliest time. Western civilization has been dramatically affected by the Catholic and Protestant churches, which have developed worldwide organizational structures using managerial concepts.



Management practice in business, government, and the church remained quite stable through the centuries until the mid-18<sup>th</sup> century with the birth of the Industrial Revolution in England. With the Industrial Revolution, began the early scientific inquiries into the practice of management. The forerunners of Scientific Management theory are Robert Owen, Charles Babbage and F.W Taylor.

**Robert Owen:** was the first person to pay attention to labor welfare. He suggested a change in the attitude of industrialists towards workers. He worked up to his maximum possible extent for the amelioration of working conditions of workers and thereby tried to win over their confidence. He stated that men should not be treated as secondary and inferior to machines.

**Charles Babbage:** sometimes referred to as the patron saint of operations research invented a predecessor to the modern day computers, an invention he called the “difference machine” that actually performed mathematical calculations and computed statistical probabilities. Two pioneering works of Babbage are ‘The Differential Engine and On Economy of Machinery and Manufacturer’. He stated that the methods of science and mathematics could be applied to the solution of the factory’s problems.

**Frederick Winslow Taylor:** known popularly as the father of scientific management and a classicist in management theory, was the first person whom insisted on the introduction of scientific methods in management. He made for the first time a systematic study of management and evolved an orderly set of principles to replace the trial and error methods then in vogue. He observed that workers were not enthusiastic and were doing as little as possible, just adequate to maintain their job. Taylor’s contribution is based on his observation of the working conditions and the behavior of the workers/ employees in the organization.

---

## **1.7 PRINCIPLES OF SCIENTIFIC MANAGEMENT**

---

The contributions to scientific management evolved into principles. These principles are called principles of scientific management. They include:

- Time and Motion Study
- Science, but not rule of the thumb
- Differential payment
- Group harmony
- Co-operation between workers and management

- Methods study
- Scientific selection and training
- Standardization
- Separation of planning from execution

---

## 1.8 GENERAL ADMINISTRATIVE THEORISTS

---

Another group of writers looked at the subject of management but focused on the entire organization. They are referred to as the general administrative theorists. They developed more general theories of what managers do and what constituted good management practice. The important contributions given by Henry Fayol and Max Weber are:

**Henry Fayol** : Fayol's attention was directed at the activities of all managers. He described the practice of management as something distinct from accounting, finance, production, distribution and typical functions. He argued that management was an activity common to all human endeavors in business and government. He then proceeded to state 14 principles of management. *Division of work, Authority, Discipline, Unity of Command, Unity of Direction, Subordination of individual interest to the general interest, Remuneration, Centralization, Scalar Chain, Order, Equity, Stability of tenure of personnel, Initiative, Esprit de corps.*

**Max Weber**: Max Weber developed a theory of bureaucratic management, which emphasizes on a strictly defined hierarchy governed by clearly defined regulations and lines of authority. For Weber the ideal organization was a bureaucracy. Weber sought to improve the performance of socially significant organizations by making their operations productive. Weber recognized that ideal bureaucracy did not exist in reality. Instead he intended it as the basis for theorizing about work and how work could be done in large groups. His theory became the model structural design for many of today's large organizations.

---

## 1.9 QUANTITATIVE APPROACH TO MANAGEMENT

---

The quantitative approach involves the use of quantitative techniques to improve decision-making. This approach has also been labeled as Operations Research or Management Science. This approach to management involves applications of statistics, optimization model, information model and computer simulation to management activities. The quantitative approach has contributed directly to management decision-making in the areas of planning and control.

---

## **1.10 BEHAVIOURAL APPROACH / HUMAN RELATIONS APPROACH**

---

The human element was recognized even in the scientific management school. The human relations approach is the outcome of reactions of classical theorists like Mary Parker and Chester I Bernard. Elton Mayo and his associates pointed out that the techniques of scientific management are not adequate and they do not contribute to individual and organizational goals. The essence of human relations approach is that workers should be treated as human beings but not as mere factors of production. Workers needs, feeling, attitudes, values and desires are extremely important. The theme of human relations approach is that organizational situation should be viewed in social terms as well as in economic and technical terms and the social process of group behavior can be understood in terms of the clinical method analogous. An intensive and systematic analysis of human factor was made in the form of Hawthorne Experiments. The series of experiments conducted under the Hawthorne study include the following:

- Illumination Experiment
- Relay Assembly Test Group
- Interviewing Program
- Bank Wiring Observation Room Experiment

The human relations approach pertains to motivating people in organizations in order to develop teamwork, which effectively fulfils their needs and leads to achieving organizations goals. Thus human relations strive to created a positive and conducive work environment, focuses on people, has the ultimate goal of increase in productivity, and seeks to build human cooperation towards achievement of organizational goals.

---

## **1.11 SYSTEMS APPROACH TO MANAGEMENT**

---

Systems approach to management views the organization as a unified, purposeful system composed of inter-related parts. Hence, managers have to deal with the organization as a whole rather than dealing separately with various segments of the organization. This approach also gives the managers to see the organization as a whole and as a part of the larger external environment. The essence of the systems approach is that each manager cannot function in isolation within his organizational boundary of authority and responsibility of the traditional organizational chart. Key concepts of systems approach are:

- Sub-system
- Synergy
- Open system
- Closed system
- System boundary
- Flows
- Feedback

---

## **1.12 CONTINGENCY APPROACH TO MANAGEMENT**

---

This approach is also called situational approach. Managers, consultants and researchers who tried to apply the concepts of the major schools to real life situation developed this approach. They sought to know the causes for the success of methods in one situation and failure in another situation. This approach emphasizes that managers have to identify the techniques, which will best contribute to the attainment of the management's goals in a particular situation, under particular circumstance and at a particular time. Classical theorists suggest work implication for increase in productivity whereas Behavioral Scientists suggest job enrichment, but the manager under contingency approach should find out which method will work better in that particular situation. This approach is builds upon systems approach. The composition of a particular situation or system will help to know the techniques best suited to that particular situation or system.

---

## **1.13 HUMAN RESOURCE MANAGEMENT APPROACH**

---

Human resource is a principle and a sub-system and resource of an organization. Both the human resource system and the entire organization operate under the same environmental factors. Human resource management approach is developmental. It is concerned with the growth and development of people towards higher levels of competency, creativity and fulfillment. The human resource management approach is supportive. It helps employees to develop through training and development and other techniques of human development, it also develops more responsible and committed persons through the creation of conducive organizational climate, strong culture, attractive rewards system, free and challenging work environment, team spirit and the like. This approach assumes that increased capabilities and expanded opportunities for people will lead directly to the

improvement of the organizational effectiveness and efficiency, employee job satisfaction will be a direct result when employees make use of their resources to the fullest extent. Thus, the human resource management approach reveals that sound management of human resource through proper training and development, proper salary administration, creating conducive work environment, providing challenging job and maintaining sound industrial relations result in the employee contribution for achievement of organizational goals.

---

#### **1.14 SUMMARY**

---

Thus the basic role of managing is to achieve certain objectives and goals. A precise and complete statement in this regard would make the objectives clear and understood by all concerned who have to direct their activities towards its attainment. In order to accomplish satisfactorily anything of importance, it is necessary to plan in advance of doing. What should be done, how it should be done, who will be responsible for doing it, where action is to be taken and why it is to be done. Management process becomes a cycle and indicates the unending nature of managers' job.

---

#### **1.15 SELF ASSESSMENT QUESTIONS**

---

1. What is process of management?
2. Describe the process of management and explain how it can be used to accomplish result in any organisation?
3. What are the principles of management?
4. Briefly explain a few management schools of thought.
5. State the Principles of Scientific Management.

---

#### **1.16 REFERENCES**

---

1. Davar. *The Management process*. Mumbai: Progressive Corporation Pvt. Ltd, 2010.
2. Harold Koontz. Heinze Weihrich. *Essentials of management*, New York: MacGraw-Hill, 1993
3. J S. Chandan. *Management Concepts and Strategies*, New Delhi: Vikas Publishing House Pvt Limited, 1997.

4. Chauhry Omvir, Prakash Singh. *Principles of Management*, New Delhi: New Age International Publishers, 2012.
5. Peter. Drucker. *Management of 21<sup>st</sup> Century*, New York: HarperBusiness,2001.
6. Prasad L.M. *Principles of Management*, New Delhi: Sultan Chand & Sons, 2015.
7. Stoner J.A. and Freeman R.E. ***Management, New Delhi: Pearson Education India,1995.***
8. Richard L. Daft. *Management*, Massachusetts, United States: Cengage Learning, 2013.
9. S.K. Mandal. *Management: Principles and Practice*, Mumbai: Jaico Publishing House, 2011.

---

### 1.17 CASE

---

Rohith is an engineer in a large design engineering office. Rohith hails from a rural background , and his family had a low income and stern rules. In order to earn his college degree, he had to work, and he paid most of his own expenses. Rohith is an intelligent and capable engineer. His main fault is that he does not want to take risks. He hesitates to take decisions himself, often bringing petty and routine problems to his supervisor or to other engineer colleagues of his for a decision. Whenever he does a design job he brings it in rough draft to his chief engineer for approval before he finalizes it. Since Rohith is a capable person, his chief engineer wants to motivate him to be independent in his work. The chief engineer believes that this approach will improve Rohith' s performance, relieve the chief engineer from extra routine and give Rohith more self confident. However the chief engineer is not sure how to go about motivating Rohith to improve his performance.

**Poser:** In the role of chief engineer, explain how you would motivate Rohith. .

\*\*\*\*\*

---

## **UNIT -2 : TOTAL QUALITY MANAGEMENT, LEARNING ORGANISATIONS**

---

### **Structure**

- 2.0 Objectives
- 2.1 Introduction
- 2.2 Definition - Quality
- 2.3 Seven faces of quality
- 2.4 Factors affecting quality
- 2.5 Different dimensions of quality
- 2.6 Total Quality - Introduction
- 2.7 Principles of Total Quality.
- 2.8 PDCA cycle
- 2.9 Salient features of TQM
- 2.10 Principles of TQM
- 2.11 TQM methods
- 2.12 Befefits of TQM
- 2.13 Obstacles of TQM
- 2.14 Learning Organisations –Introduction
- 2.15 Characteristics of Learning Organisations
- 2.16 Why Learning Organisations
- 2.17 Benefits of Learning Organisations
- 2.18 Barriers to Learning Organisations.
- 2.19 Summary
- 2.20 Self assessment Questions
- 2.21 Reference
- 2.22 Case Study

---

## **2.0 OBJECTIVES**

---

After studying this unit you will be in a position

- To define quality.
- State the factors affecting quality.
- Understand the different dimensions of quality
- State the benefits of Learning organisations.

---

## **2.1 INTRODUCTION**

---

During the advent of industrial revolution, manufacturers / craftsmen made products and checked their quality themselves. No outside agencies or quality control methods were employed to inspect and control the quality of the goods produced. During the World War 1, the need for manufacturing weapons in large quantities arose and with that arose the need for imposing an effective control system over goods/ weapons produced. As a result of globalisation today, firms who wish to retain their share in the world markets in terms of quality and reliability of their products must maintain quality of their goods and services. The term 'quality' has thus, taken a form of quality revolution which each firm today striving to aim at an if not should aim at. Today every individual is living in a quality age and wish to possess quality products, be it a hoe or a car or furniture or even consumables. The word 'quality' is qualitative in nature and has different meaning for different people. Quality implies a person's state of mind and is associated with the following perceptions:

- A good product
- Sturdy
- Durable
- Easy to operate
- Good in appearance.

Quality means "Products that are manufactured exactly to specifications." ISO 9000 defines quality as the totality of features and characteristics of a product and service that bears on its ability to meet stated or implied needs.

Organisations everywhere are growing increasingly conscious of the competitive potential of quality. Quality has become an issue because standards are now



contractually defined. Competition focuses not only on price but quality also. The challenge for business today is to produce quality products efficiently. Quality is one of the four key objectives in operations management along with cost, flexibility and delivery of goods and services.

Quality is not a new concept in modern business. “the first job we have is to turn out quality merchandise that consumers will buy and keep on buying. If we produce it efficiently and economically, we will earn a profit, in which you will share” William Cooper Procter. Customers are becoming increasingly intolerant of poor service, late deliveries, unreliable goods ,shoddy workmanship and the like. The importance of quality can be stated in the following sentences-” **No quality , no sales. No sales, no profit. No profit, no jobs.**”

### **QUALITY - What it stands for?**

**Q:** Quest for Excellence

**U:** Understanding customers needs

**A:** Action to achieve customer’s appreciation

**L:** Leadership – determination to be the leader

**I:** Involving people

**T:** Team spirit to work for a common goal and

**Y:** Yardstick to measure progress.

---

## **2.2 QUALITY - DEFINATION**

---

Quality is defined as the “ability of a product or service to meet customers needs”

“The integrity in delivering what a customer has a legitimate right to expect in view of what was promised at the time of the agreement or purchase” . Quality is the single most important force leading to organisational success and company growth in national and international markets. Quality can be described as doing the right thing, doing it the right way, doing it on time, doing it right the first time and doing it right every time. Quality means meeting customer’s requirements , formal and informal, at the lowest cost, first time and every time.

Quality is perfection, consistency eliminating waste, speed of delivery, compliance with policies and procedures, providing a good, usable product, doing it

right the first time, delighting or pleasing customers, and total customer service and satisfaction.

W.Edward Deming, a leading quality guru called quality as “Continuous improvement.” According to Joseph M Juran, quality is “Fit for Use”

---

### 2.3 SEVEN FACES OF QUALITY

---

- Performance
- Features
- Reliability
- Conformance
- Durability
- Serviceability
- Aesthetics

Producing superior quality products or providing a quality service is vital to the continued growth and success of a firm. There are number of benefits a firm derives by offering quality products. Some of which are: It gives a positive company image; It improves competitive ability both nationally and internationally; It increases market share, which translates into improved profits; Overall , it reduces costs, which translates into improved profits; It reduces atmosphere for high employee morale, which improves productivity.

---

### 2.4 FACTORS AFFECTING QUALITY

---

Some of the factors that affect a company’s ability to produce quality products are as follows:

**Markets:** Markets in terms of consumer demands are expanding today and consumers demand qualitative products to satisfy their need.

**Money:** With increase in competition, firm’s profit margins are reducing and therefore, they have to concentrate on minimising the quality costs.

**Men:** With increasing size, complexities and specialisation of business operations, there is need to appoint workers with specialised knowledge who can produce quality goods for the firms to be able to compete in competitive environment.

**Materials:** To cope up with high cost of production, business organisations have to search for alternate materials which will keep the overall cost of materials low inconsonance with high quality of goods.

**Machines :** Maintaining existing machines and looking for newer machines which will help manufacturers reduce their cost of production can also add to the quality of products.

**Management:** Quality should not confine itself to the product. Designing the product transformation process that will produce the final product, marketing of the product, providing for after sales service are all essential features of quality management which require active support of top management in allocating responsibility to those concerned so that product quality can be maintained.

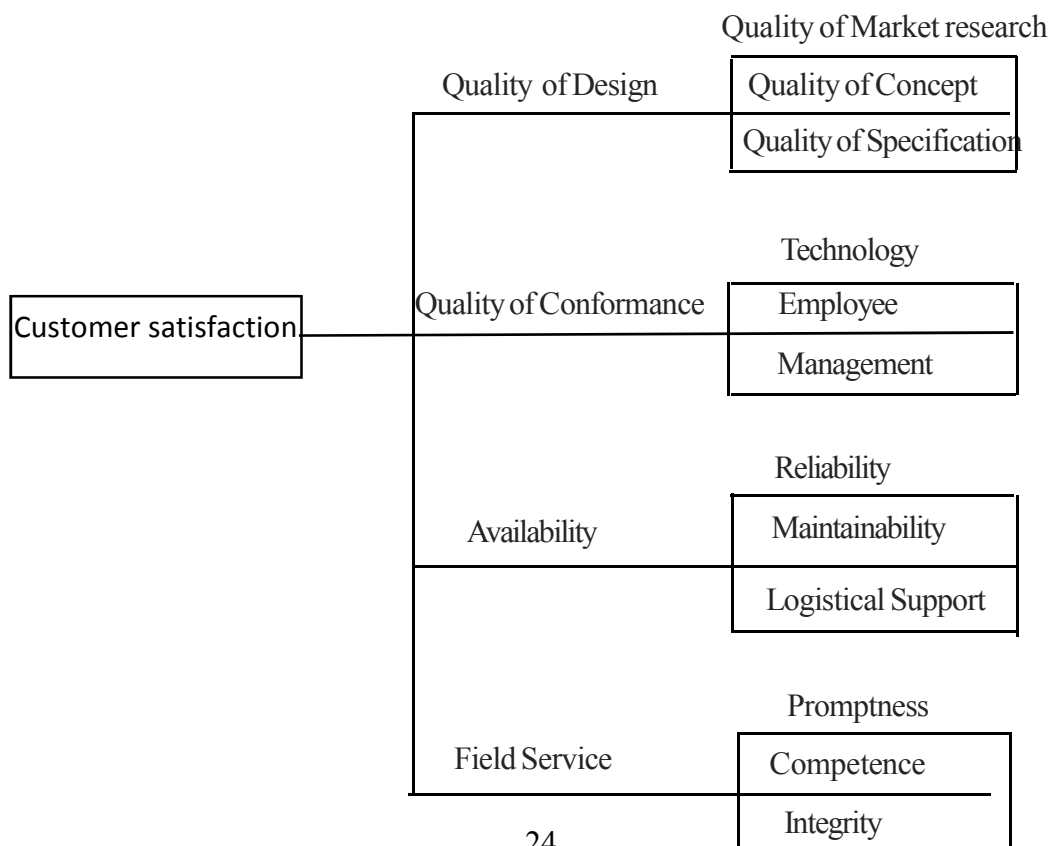
**Motivation:** The greatest force that can contribute to quality of the product is the workforce. Workers should, therefore, be motivated, through education and incentives to contribute their best to the product quality.

**Management Information Systems:** The information systems through application of computer –oriented tools and techniques also contribute to the quality of the products by making right information accessible at the right time and the right place.

---

## 2.5 DIFFERENT DIMENSIONS OF QULAITY

---



Source: Roger G. Schroeder, Operations Management, Irvin McGraw Hill

---

## **2.6 TOTAL QUALITY (TQ)**

---

Total Quality is a people focussed management system that aims at continued increase in customer satisfaction at continually lower real cost. T is a total system approach and an integral part of high –level strategy, it works horizontally across functions and department, involves all employees , top to bottom and extends backward and forward to include the supply chain and the customer chain. It includes systems , methods and tools. The concise definition of TQ used by Procter and Gamble is : “Total quality is the unyielding and continually improving effort by everyone in an organisation to understand , meet and exceed the expectations of customers.”

The term total quality management (TQM) has been commonly used to denote the system of managing for total quality. TQM is a total, company wide effort trough full involvement of the entire workforce and a focus on continuous improvement that companies use to achieve customer satisfaction. TM is both a comprehensive managerial philosophy and a collection of tools and approach for its implementation. The concept of TQM has been around for some time, A.V Feigenbaum recognised the importance of comprehensive approach to quality in the 1950s and coined the term total quality control. Feigenbaum observed that the quality of products and services is directly influenced by what he terms the **9Ms** : “ Markets, Money, Men, and women, Motivation, Materials, Machines and mechanisation, Modern information methods and Mounting product requirements”.

---

## **2.7 PRINCIPLES OF TOTAL QUALITY**

---

The core principles of total quality are

- A focus on the customer
- Participation and team work
- Employee involvement and empowerment
- Continuous improvement and learning

The modern definition of quality centres on meeting or exceeding customer expectations. Thus, the customer is the principal judge of quality . Perception of value and satisfaction are influenced by many factors throughout the customer’s overall purchase , ownership and service experiences. Companies must focus on all product and serve attributes that contribute to perceived value to the customer and lead to

customer satisfaction. To accomplish this task, a company's efforts need to extend well beyond merely meeting specifications, reducing defects and errors on eliminating complaints. They must include both designing new products that truly delight the customers and responding rapidly to changing consumer and market demands.

Japanese managers made full use of the knowledge and creativity of the entire workforce for their rapid quality achievements. In any organisation, the person who performs a job is the person who best understands the job and how to improve both the product and the process. By training employees to think creatively and rewarding good suggestions, managers can develop employee loyalty and trust. Managers must formulate systems and procedures and put them in place to ensure that participation becomes a part of the work culture. Participation of employee can be encouraged by implementing suggestion systems or schemes that act quickly, provide feedback and reward good suggestions.

Team work is another important element of total quality attention on customer-supplier relationships among the employees and encourages the involvement of the total work force in attacking systematic problems, particularly those that cross functional boundaries. Success of team work needs managers' acceptance of workers' suggestions.

The primary role of management is to lead an organisation in its day-to-day operations as well as maintain it as a viable entity into the future. Quality has become an important factor to success.

In the late 1980s providing customer satisfaction in customer terms became a specific goal of business organisation. Providing high quality was recognised as a key element for success. At the end the 12<sup>th</sup> C, business organisations were involved in what has become a quality revolution. It began in Japan and has spread to other parts of the world. It involves an entirely new way of thinking about and dealing with quality that encompasses the entire organisation. This new approach has been given a variety of name viz., "**Six Sigma**" at Motorola, "**Leadership through Quality**" at Xerox, "**Perfect design Quality**" at Intel and "**Total Quality Control**" at Hewlett-Packard, but more often referred to as "**Total Quality Management**".

According to ISO, Quality management is defined as "that aspect of the overall management function that determines and implements quality policy and as such is the responsibility of top management. " It is a managerial responsibility and relates to control of all activities within the organisation for future success of the organisation. Once an organisation decides to concentrate on quality of its products, it implements

this decision by applying managerial efforts to change the entire approach to business and make quality a guiding factor in everything that an organisation does. The fact that managerial attention is focused on every organisational activity, however small it may be is the core of the concept of Total Quality Management.

“Total Quality Management” (TQM) is a philosophy that involves every one in an organisation in a continual effort to improve quality and achieve customer satisfaction.”There are two key philosophies in TQM . One is a never ending push to improve(Continuous improvement) or Kaizen in Japanese and the other is a goal of customer satisfaction which involves meeting or exceeding customer expectations.

The concept of TQM can be understood by understanding the meaning of three terms that make up the concept. These are:

- Total – Everyone associated with company is involved in continuous improvement including customers and suppliers
- Quality-Customers’ stated and implied requirements are fully met.
- Management- Executives are fully committed.

TQM is viewed as collection of systems that aims continuous improvement of the production processes to satisfy the present and potential requirements of internal and external customers, through management commitment, teamwork, participation, involvement, education and training , recognition and reward and application of quality tools and techniques.

---

## 2.8 PDCA CYCLE

---

Dr. W.E Deming ( Plan -Do -Check - Act).The steps in the PDCA are implemented as follows:

**Plan-** It refers to product development .The team must lay down the objectives ,policies, and procedures of TQM , determine customer requirements, adopt appropriate tools and techniques and educate and train personnel to produce products that meet customer requirements. If a problem is detected in any area of product development, the team must find the causes of the problem by collecting the necessary data and information which must be based on facts and not mere judgment or thinking.

**Do:** It refers to working according to the plan. It amounts to manufacturing according to product development plans. The process of TQM must be implemented by introducing machines, material and men to the production processes. If any problem

is detected in the planning phase, the team will take necessary steps to solve that problem in the Do phase.

**Check-** Once the production process has started , Check refers to finding deviations if any, in outputs . It refers to finding the causes of deviations and analysing their impact on the final product and the market relationships. It amounts to checking the impact of company's sales on customer satisfaction. In the event of any problem having been detected in the plan the solution to which was implemented in the do stage, the check phase aims to find out whether or not the improvement process was successful.

**Action-** If steps taken are proved to be successful , better quality level should be accepted and if steps have not proved to be successful, the PDCA cycle should be repeated. It, therefore, deals with market research and aims to prevent problems rather than correct them.

Total Quality demand new styles of managing and entirely new set of skills. TQM is an approach to doing business that attempts to maximise the competitiveness of an organisation through the continual improvement of the quality of its product, services, people, processes and environments. Total quality organisations have a comprehensive strategic plan that contains the following elements :

- Vision
- Mission
- Broad Objectives and
- Activities

An increasing number of firms find that commitment to their customers through total quality is essential for their survival in the current global competitive environment. This commitment to quality starts with managerial leaders. Strong leadership is a characteristic common to a number of total quality organisation. Leadership is the most important ingredient for launching and sustaining a quality improvement process.

---

## 2.9 SALIENT FEATURES OF TQM

---

1. Find out what the customers want. Customers include both internal as well as the external customer.
2. Design a product or service what will meet or exceed what customers want.
3. Design a production process that facilitates doing the job right the first time.

4. Keep track of the result and use those to guide improvement in the system. Never stop trying to improve.
5. Extend these concepts to suppliers and to distribution.

---

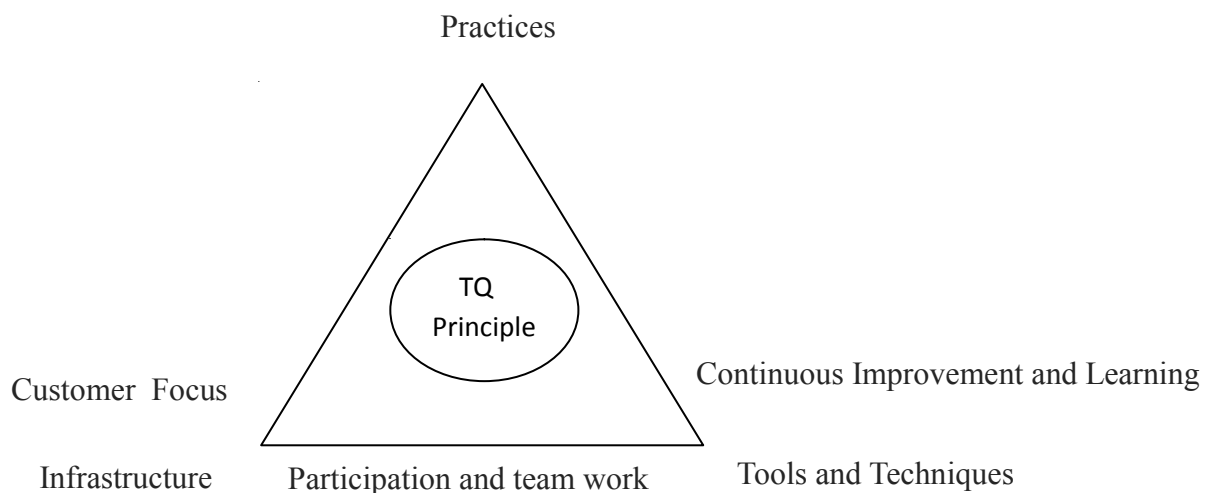
## 2.10 PRINCIPLES OF TOTAL QUALITY MANAGEMENT

---

- Customer Satisfaction
- Employee involvement
- Continuous improvements in quality.
- Primary responsibility for product quality rests with top management.
- Quality should be customer –focused and evaluated using customer –based standards
- The production process and work methods must be designed consciously to achieve quality of conformance.
- Quality cannot be inspected into a product. So make it right the first time.
- Quality must be monitored to identify problems quickly and correct quality problems immediately.
- Companies must work with and extend TQM programs till their suppliers to ensure quality inputs.

TQM adds value to the services offered to the customers. All personnel are involved, which improves motivation and commitment. TQM provides assurance that performance and processes are well understood and TQM is economic in the long-term to both the company and its customers.

Scope of Total Quality Management





All the principles of TQM must work together and support each other. The elements of an infrastructure that support the core principles of total quality are leadership, strategic planning, human resource management, process management and data and information management. Tools include various graphical and statistical methods to plan work activities, collect data, analyse results, monitor progress and solve problems.

TQM can be put to practice by adopting suitable TQM methods. Adoption of the right method is important for managers as the degree of success of TQM largely depends upon the knowledge and selection of the method, its suitability for quality management problems and its effective implementation by effective leaders.

---

## **2.11 TQM METHODS ARE:**

---

### **1.Management methods**

Benchmarking  
Deming Wheel  
ISO 9000  
Just-In-Time  
Quality Circles

### **2.Analytical methods**

Critical Path Method  
Failure mode & Effect Analysis  
Force –Field Analysis

### **3.Idea generation**

Brain storming  
Nominal Group Technique  
Suggestion schemes

### **4.Data Collection , Analysis & Display**

C-Charts  
Histograms  
P-Charts  
Pie Charts  
Tally Charts

---

## **2.12 BENEFITS OF TQM**

---

- It helps to satisfy customer demand justifies the existence of a business organisation.
- It helps firms face competition in the market and strength its competitive position.
- It enables the firm to optimally utilise its scarce resource ie., optimum allocation of resources.
- It helps in maintaining quality cost relationships .

- It improves quality of the products by preventing and correcting defects and reducing wastes.
- It increases organisational productivity .
- It improves the organisational environment in which quantity and quality are positively correlated and overall social and financial position of the firm is strengthened.
- It leads to development of committed personnel who work for the achievement of individual and organisational goals.
- It adds to the competence of all personnel with respect to their jobs.
- It enhances both horizontal and vertical communication amongst managers and employees.
- It leads to continuous improvement in the operational activities of the firm.
- It helps an organisation to towards dedication, ethics, integrity and technology.

As TQM is a necessity for any business organisation and its effective implementation cannot be overlooked as a journey to reach the destination of successful achievement of organisational goals through customer satisfaction.

---

### **2.13 OBSTACLES TO TQM**

---

The various obstacle to TQM are:

- Insufficient management commitment
- Difficulty in changing the organisational culture
- Poor planning
- Lack of continuous education and training
- Incompatibility between organisational structure and individuals.
- Ineffective measurement techniques and poor accessibility to data and results.
- Lack of attention to internal and external customers.
- Insufficient use of empowerment and teamwork
- Failure to achieve continuous improvement.

## LEARNING ORGANISATION

---

### 2.14 INTRODUCTION

---

A **learning organization** is the term given to a company that facilitates the learning of its members and continuously transforms itself. Learning organizations develop as a result of the pressures facing modern organizations and enables them to remain competitive in the business environment. A learning organization has five main features; systems thinking, personal mastery, mental models, shared vision and team learning. The **Learning organization** concept was coined through the work and research of Peter Senge and his colleagues . It encourages organizations to shift to a more interconnected way of thinking. Organizations should become more like communities that employees can feel a commitment to. They will work harder for an organization they are committed to. In a competitive environment of the present millennium, only a learning organisation will survive.

The Learning Organisation is a concept that is becoming an increasingly widespread philosophy in modern companies, from the largest multinationals to the smallest ventures. What is achieved by this philosophy depends considerably on one's interpretation of it and commitment to it. The quote below gives a simple definition that we felt was the true ideology behind the Learning Organisation.

*“A Learning Organisation is one in which people at all levels, individuals and collectively, are continually increasing their capacity to produce results they really care about.”* An organisation that learns and encourages learning among its people. It promotes exchange of information between employees hence creating a more knowledgeable workforce. This produces a very flexible organisation where people will accept and adapt to new ideas and changes through a shared vision.

The importance of learning was first put forward by a Chinese Philosopher Confucius (551 - 479 BC). He believed that everyone should benefit from learning. *“Without learning, the wise become foolish; by learning, the foolish become wise.”* *“Learn as if you could never have enough of learning, as if you might miss something.”*

The underlying cause for recent emphasis on organisational learning is because of the increased pace of change. Learning was something divorced from work and innovation was seen as the necessary but disruptive way to change. The corporation which is able to quickly learn and then innovate their work will be able to change their work practices to perform better in the constantly changing environment. Change is

now measured in terms of months not years as it was in the past. Business re-engineering used to concentrate on eliminating waste and on working smarter and learning.

Different definitions of a learning organization are given. According to Peter Senge, a learning organization exhibits five main characteristics: systems thinking, personal mastery, mental models, a shared vision, and team learning.

---

## 2.15 CHARACTERISTICS OF LEARNING ORGANISATIONS

---

**Systems thinking.** The idea of the learning organization developed from a body of work called systems thinking. This is a conceptual framework that allows people to study businesses as bounded objects. Learning organizations use this method of thinking when assessing their company and have information systems that measure the performance of the organization as a whole and of its various components. Systems thinking states that all the characteristics must be apparent at once in an organization for it to be a learning organization. If some of these characteristics are missing then the organization will fall short of its goal. However O’Keeffe believes that the characteristics of a learning organization are factors that are gradually acquired, rather than developed simultaneously.

**Personal mastery.** The commitment by an individual to the process of learning is known as personal mastery. There is a competitive advantage for an organization whose workforce can learn more quickly than the workforce of other organizations. Individual learning is acquired through staff training, development and continuous self-improvement,<sup>4</sup> however learning cannot be forced upon an individual who is not receptive to learning. Research shows that most learning in the workplace is incidental, rather than the product of formal training, therefore it is important to develop a culture where personal mastery is practiced in daily life. A learning organization has been described as the sum of individual learning, but there must be mechanisms for individual learning to be transferred into organizational learning.

**Mental models.** The assumptions held by individuals and organizations are called mental models. To become a learning organization, these models must be challenged. Individuals tend to espouse theories, which are what they intend to follow, and theories-in-use, which are what they actually do. Similarly, organizations tend to have ‘memories’ which preserve certain behaviours, norms and values. In creating a learning environment it is important to replace confrontational attitudes with an open culture that promotes inquiry and trust. To achieve this, the learning organization needs mechanisms for locating and assessing organizational theories of

action. Unwanted values need to be discarded in a process called ‘unlearning’. Wang and Ahmed refer to this as ‘triple loop learning.’

**Shared vision.** The development of a shared vision is important in motivating the staff to learn, as it creates a common identity that provides focus and energy for learning. The most successful visions build on the individual visions of the employees at all levels of the organization, thus the creation of a shared vision can be hindered by traditional structures where the company vision is imposed from above. Therefore, learning organizations tend to have flat, decentralized organizational structures. The shared vision is often to succeed against a competitor, however Senge states that these are transitory goals and suggests that there should also be long term goals that are intrinsic within the company.

**Team learning.** The accumulation of individual learning constitutes Team learning. The benefit of team or shared learning is that staff grow more quickly and the problem solving capacity of the organization is improved through better access to knowledge and expertise. Learning organizations have structures that facilitate team learning with features such as boundary crossing and openness. Team learning requires individuals to engage in dialogue and discussion; therefore team members must develop open communication, shared meaning, and shared understanding. Learning organizations typically have excellent knowledge management structures, allowing creation, acquisition, dissemination, and implementation of this knowledge in the organization.

---

## 2.16 WHY A LEARNING ORGANISATION

---

A company that performs badly is easily recognisable. The reasons why a learning organisations is needed is because employees seem **unmotivated** or **uninterested** in their work; workforce **lack the skill and knowledge** to adjust to new jobs, **only few** to come up with all the ideas, **workforce** simply **follow orders**, teams **argue** constantly and **lack real productivity, lack of communication** between each other, when “head/guru” is off do things get **put on hold**, always the last to hear about **problems**, worst still the first to hear about customer **complaints** , **and** the **same problems** occur over and over.

Before a Learning Organisations can be implemented , a solid foundation can be made by taking into account the following :

- Awareness
- Environment

- Leadership
- Empowerment
- Learning

**Awareness** : Organisations must be aware that learning is necessary before they can develop into a Learning Organisation. This may seem to be a strange statement but this learning must take place at all levels; not just the Management level. Once the company has accepted the need for change, it is then responsible for creating the appropriate environment for this change to occur in.

**Environment** : Centralised, mechanistic structures do not create a good environment. Individuals do not have a comprehensive picture of the whole organisation and its goals. This causes political and parochial systems to be set up which stifle the learning process. Therefore a more flexible, organic structure must be formed. By organic, we mean a flatter structure which encourages innovations. The flatter structure also promotes passing of information between workers and so creating a more informed work force.

It is necessary for management to take on a new philosophy; to encourage openness, reflectivity and accept error and uncertainty. Members need to be able to question decisions without the fear of reprimand. This questioning can often highlight problems at an early stage and reduce time consuming errors. One way of over-coming this fear is to introduce anonymity so that questions can be asked or suggestions made but the source is not necessarily known.

**Leadership** : Leaders should foster the Systems Thinking concept and encourage learning to help both the individual and organisation in learning. It is the leader's responsibility to help restructure the individual views of team members. For example, they need to help the teams understand that competition is a form of learning; not a hostile act.

Management must provide commitment for long-term learning in the form of resources. The amount of resources available (money, personnel and time) determines the quantity and quality of learning. This means that the organisation must be prepared to support.

**Empowerment** : The locus of control shifts from managers to workers. This is where the term Empowerment is introduced. The workers become responsible for their actions; but the managers do not lose their involvement. They still need to encourage, enthuse and co-ordinate the workers. Equal participation must be allowed at all levels so

that members can learn from each other simultaneously. This is unlike traditionally learning that involves a top-down structure (classroom-type example) which is time consuming.

**Learning** : Companies can learn to achieve these aims in Learning Labs. These are small-scale models of real-life settings where management teams learn how to learn together through simulation games. They need to find out what failure is like so that they can learn from their mistakes in the future. These managers are then responsible for setting up an open, flexible atmosphere in their organisations to encourage their workers to follow their learning example.

Anonymity has already been mentioned and can be achieved through electronic conferencing. This type of conferencing can also encourage different sites to communicate and share knowledge, thus making a company truly a Learning Organisation.

#### **Five Keys to Building a Learning Organization.**

1. Remember that corporate learning is “informal” and HR doesn’t own it.
2. Promote and reward expertise.
3. Unleash the power of experts.
4. Demonstrate the value of formal training.
5. Allow people to make mistakes.

---

#### **2.17 BENEFITS OF LEARNING ORGANISATIONS ARE :**

---

- Maintaining levels of innovation and remaining competitive
- Being better placed to respond to external pressures
- Having the knowledge to better link resources to customer needs
- Improving quality of outputs at all levels
- Improving Corporate image by becoming more people oriented
- Increasing the pace of change within the organisation.

---

#### **2.18 BARRIERS**

---

Even within or without learning organization, problems can stall the process of learning or cause it to regress. Most of them arise from an organization not fully embracing all the necessary facets. Once these problems can be identified, work can

begin on improving them. Some organizations find it hard to embrace personal mastery because as a concept it is intangible and the benefits cannot be quantified; personal mastery can even be seen as a threat to the organization. This threat can be real, as Senge points out, that “to empower people in an unaligned organization can be counterproductive”. In other words, if individuals do not engage with a shared vision, personal mastery could be used to advance their own personal visions. In some organizations a lack of a learning culture can be a barrier to learning. An environment must be created where individuals can share learning without it being devalued and ignored, so more people can benefit from their knowledge and the individuals becomes empowered. A learning organization needs to fully accept the removal of traditional hierarchical structures.

In addition, organizational size may become the barrier to internal knowledge sharing. When the number of employees exceeds 150, internal knowledge sharing dramatically decreases because of higher complexity in the formal organizational structure, weaker inter-employee relationships, lower trust, reduced connective efficacy, and less effective communication. As such, as the size of an organizational unit increases, the effectiveness of internal knowledge flows dramatically diminishes and the degree of intra-organizational knowledge sharing decreases.

---

## **2.19 SUMMARY**

---

The perfect Learning Organisation is not an attainable goal, it is merely a desirable concept: there is no correct implementation of the Learning Organisation. Every company can continuously adapt and adjust and some will be better Learning Organisations than others, but every one of them has something new to learn. Finally it should be mentioned that the Learning Organisation is just a means to a business goal, created to improve productivity and most importantly profit. Quite how long this philosophy will remain fashionable is unknown. What is certain is that for any company in today’s global marketplace continuous change and adaptation is the only way to survive.

---

## **2.20 REVIEW QUESTIONS**

---

1. Define learning Organisations.
2. What are the benefit of learning organisations?
3. Mention the different barriers to learning organisstions.
4. What is Total Quality Management?



5. Explain the concept of TQM.
6. State the different techniques of quality control..
7. What are the benefits of TQM?

---

## 2.21 REFERENCES

---

1. Davar. *The Management process*. Mumbai: Progressive Corporation Pvt. Ltd, 2010.
2. Harold Koontz. Heinze Weihrich. *Essentials of management*, New York: MacGraw-Hill,1993
3. J S. Chandan. *Management Concepts and Strategies*, New Delhi: Vikas Publishing House PvtLimited,1997.
4. Chauhry Omvir, Prakash Singh. *Principles of Management*, New Delhi: New Age International Publishers, 2012.
5. Peter. Drucker. *Management of 21<sup>st</sup> Century*, New York: HarperBusiness,2001.
6. Prasad L.M. *Principles of Management*, New Delhi: Sultan Chand & Sons, 2015.
7. Stoner J.A. and Freeman R.E. ***Management*, New Delhi: Pearson Education India,1995.**
8. Richard L. Daft. *Management*, Massachusetts, United States: Cengage Learning, 2013.
9. S.K. Mandal. *Management: Principles and Practice*, Mumbai: Jaico Publishing House, 2011.

---

## 2.22 CASE

---

TQM is a philosophy mainly dominated by large companies. Small businesses are lagging behind larger ones when it comes to introducing and adopting new managerial philosophies and advanced technology. Many small companies have stopped at quality system certification, such as ISO 9000, in their quality journey rather than pursuing further continuous improvement efforts through TQM. Small businesses must understand the need to go beyond the quality system stage and work towards a total approach for quality. Only through this total approach will their quality effort be a success.

1. Discusses the various issues confronting small businesses when embarking on TQM.

---

**UNIT -3 : TRENDS IN MANAGEMENT, CONTRIBUTIONS OF  
MANAGEMENT GURUS - PETER DRUCKER,  
MICHAEL PORTER, C.K. PRAHALAD, SHI KHERA,  
A CHAUDARY, GARY HAMEL, MICHAELHAMMER,  
JACK TROUT, AI RIES AND TOM PETERS -**

---

**Structure**

- 3.0 Objectives
- 3.1 Introduction –Trends in management
- 3.2 Peter Drucker
- 3.3 C.K Prahalad
- 3.4 A Chaudary
- 3.5 Shiv Khera
- 3.6 Michael Hammer
- 3.7 Michael Porter
- 3.8 Gary Hamel
- 3.9 Al Ries
- 3.10 Jack Trout
- 3.11 Tom Peters
- 3.12 Summary
- 3.13 Self Assessment Questions
- 3.14 References

---

### **3.0 OBJECTIVE**

---

After studying this unit you will be in a position to know:

- The major trends in management.
- The contribution of various management gurus to the field of management.

---

### **3.1 INTRODUCTION : TRENDS IN MANAGEMENT**

---

Wave of globalization has been the driving force behind most far-reaching and powerful changes in business, then information technology has indisputably been the facilitator. In the changing management scenario current trends include managers that manage the work and not the people. Work is more predictable than people. Rather than trying to manage people so strictly, managers are living in the light and kindness with employees as they are real people; their own neighbors. Emerging Trends in Management - 2012 by Dr. Harry CD include , Contemporary Management styles,. Micro and Macro management ,. Virtual and Open source management, Globally distributed management, Global and International Management , Business ecosystems –Networked Management,. Green Management,. Smart Management, Sustainability management. Green management measures such as certified environmental management International and Global Management is systems (EMS) or tools like life cycle concerned with the techniques and assessment activities are considered to improve corporate environmental practices that are involved in directing and performance directly by mandating controlling international organisations. Companies are trying to introduce environmental goals and management structures as well as programs to achieve them.

Dr. Harry CD 2012 focus on: S.M.A.R.T. Management includes (specific, measurable, achievable, realistic, and time-based.) methods of implementation Sustainable management takes the concepts from sustainability and synthesizes them with the concepts of management. Sustainability has three branches: the environment, the needs of present and future generations, and the economy Emerging Trends in Management

Organizations are required to accomplish, a given task according to schedule and pre-determined programme. People are made to work. They don not themselves work. Management, therefore, has come to stay as an activity process in this complex industrial and commercial world. Management is the body of people which performs

certain managerial functions for the accomplishment of pre-determined goals. The concept of management is very old. Therefore, different view has been expressed about its nature by different authorities. Management is a social science the subject matter of which is a human being. Management generalisations and principles cannot hold good in all the cultures and at the stages of economic development. Thus management has evolved and changed considerably over a period of time and various management experts and gurus have contributed to the development of management concepts and principles.

---

### **3.2 PETER DRUCKER**

---

Peter Drucker popularly known as the ‘Father of Modern Management’ is still remembered for his contribution in the field of management. He stressed on the fact that the needs of society could be fulfilled only through business institutions and, therefore, it was necessary that these institutions performed well. Drucker laid emphasis on managers and management for the effective functioning of the business institutions. His contributions to management is as follows:

- Each society is a society of institution which people look forward to as a source of employment and also the fulfillment of their varied needs. It is the management of these institutions which affects their performance and survival. The managers, he asserts, are different from the owners and possess specialized skills to perform the managerial tasks. He, thus, considers management as a profession.
- Amongst the various institutions, the focus of attention of management is on the business institutions as the efficacy of management can be judged through the economic results that it produced, and the most prevalent economic institution is the business institution. Besides, management is also liked as a form to reform Government and Society and also to further the traditional values, customs, and beliefs of the society.
- Drucker originated the concept of Management by Objective (MBO). It stresses on the need of participative management whereby managers at all levels participate in the goal setting process so that the individual performance synthesizes with the organizational performance. According to him, MBO, if effectively organized can help in overcoming four major organizational problems: the specialized work of most managers; the hierarchical structure of management; the differences in vision and work, and the compensation structure of the management group.

- Drucker advocated the skills managers must possess so as to make management an effective task.
  - a. Skills to make effective decisions
  - b. Skills to communicate in an outside the organisation
  - c. Skills to make proper use of controls and measurements, and
  - d. Skills to make proper use of analytical tool – management science.
- Rather than focusing on task-oriented or person-oriented approach to management, Drucker focused his attention on an organization structure that needs to be both task-focused and person-focused. He, therefore, advocated both Scientific Management and the Human Relations Doctrine.
- Every institution is a part of society in which it functions and, therefore, it cannot remain oblivious of the impact of societal functions on business institutions and vice versa. The systems approach to management, thus, is also considered by Drucker while he advocated the need for management in the functioning of the institutions.

Drucker's work on management has been highly appreciated by subsequent management thinkers. The work of Drucker is recognized even today and will continue to guide managers, academicians, management thinkers. His work on management has and will continue to provide a basic foundation for management thinkers.

---

### **3.3 C.K. PRAHALAD**

---

He is known not only for his prolific works also for his management perceptions and strategies C K Prahalad is a professor, researcher, speaker, author and prominent consultant. Prahalad specializes in corporate strategy and the role of top management in large, diversified, multinational corporations.

In 1994 he co-authored the bestseller, *Competing for the Future*, with Gary Hamel. Translated into 14 languages, it was named the Best Selling Business Book of the Year in 1994. Prahalad is particularly well known for the work he has conducted with fellow strategy expert Gary Hamel. This includes the articles The Core Competence of the Corporation (Harvard Business Review, May-June, 1990), Competing in the New Economy: Managing Out of Bounds (Strategic Management Journal, Vol. 17, No. 3, March, 1996) as well as the bestselling book *Competing for the Future: Breakthrough Strategies for Seizing Control of Your Industry and Creating the Markets of Tomorrow* (1994).

Professor Prahalad's books include: *The Multinational Mission: Balancing Local Demands and Global Vision* (1987) with Yves. Many of the articles he has co-authored have appeared in the *Harvard Business Review*, including *Do You Really Have a Global Strategy?* (1985); *Collaborate With Your Competitors - and Win* (1989) *Strategic Intent* (1989); *The Core Competence of the Corporation* (1990); *Corporate Imagination and Expeditionary Marketing* (1991); *Strategy as Stretch and Leverage* (1993); *Competing for the Future* (1994); and *The End of Corporate Imperialism* (1998).

*Strategic Intent*, *The Core Competence of the Corporation* and *The End of Corporate Imperialism* won McKinsey Prizes in 1989, 1990 and 1998 respectively. *The Dominant Logic: A New Linkage Between Diversity and Performance* (1986), co-authored with Richard Bettis, was chosen as the best article published in *Strategic Management Journal* for the Period 1980-88.

Professor Prahalad's contributions to strategic thinking are widely acknowledged. In 1992 *Business Week* described him as a "Brilliant teacher at the University of Michigan, Prahalad may well be the most influential thinker on corporate strategy today". He was named in *Business Week* as one of the top ten business professors in the country, based on a nation-wide poll of MBA alumni. The Indo-American Society presented Professor Prahalad with their 1994 Annual Award for his outstanding contribution toward promotion of Indo-American goodwill, understanding and friendship. In 1995 he received the American Society for Competitiveness Award for his outstanding academic contribution to competitiveness.

One of the names most commonly cited in boardrooms across corporate America is C K Prahalad. The pioneer of the 'core competence' management concept. In surveying the corporate scene worldwide, one of the questions that has most intrigued management guru C K Prahalad is how dark horses can beat the established favourites at their own game, and on their turf.. What all that tells you, Dr Prahalad points out, is that being small need not be a minus and being big need not be a plus, because the small have not only survived, they have become winners. Madras-born Dr Prahalad, who has taught at Harvard, the Indian Institute of Management in Ahmedabad and INSEAD in France, was Harvey Freuhauf Professor of Business at the University of Michigan. His list of awards and citations alone is as long as an arm.

His contribution to management theory and practice is reputedly path-breaking. He pioneered the concept of "core competence" of a corporation — more on that later — and together with his collaborator, Gary Hamel, has turned much of the conventional

wisdom on corporate strategy upside down. According to that wisdom, resources were critical: resources equalled size and size equalled market share. Also, with big resources, companies could innovate more because they could buy both brains and technology. The old wisdom also focused on “maximising within constraints” — the idea that a company’s ambitions should be in line with what it can afford. Furthermore, corporate strategy was seen as something that was top-down: bosses came up with ideas and employees put them into effect.

At first, Dr Prahalad tried to use the old paradigm to explain what was going on in corporations. But it couldn’t do the job, no matter how much he twisted and stretched it. “So what we ended up doing,” he says, “was to throw out all the old ideas and say: there must be a totally different explanation, a different way of conceptualizing the process of corporate strategy.” After much research, he narrowed down to four or five central themes.

The first was that most companies are “imagination-constrained”, not resource-constrained. “Imagination, passion, excitement — these have to be as much part of a senior management’s tasks as resource allocation,” he says. And no, resources don’t buy imagination; more often, they limit imagination. “The rich companies are typically not the ones that are the most creative, because they have a lot of money to throw at problems. It’s the poor who have come up with the most imaginative ideas. Look at Apple, Microsoft, Oracle or Silicon Graphics. None of them started with big resources. They started with a big idea, an aspiration to change the world. To them, strategy was about discovery.”

Dr Prahalad’s second central idea blew the concept of “maximising within constraints” to bits. “If you’re top management, you need to deliberately create a misfit between aspirations and resources,” he suggests. “If your aspirations are not outside the realm of your current resources, you’re unlikely to create new ideas. If you look at all entrepreneurs, they instinctively follow this model.”

“The big question,” he says “is how do you create responsible entrepreneurship in a large company which has 150,000 people working in 65 countries? If there are eight people in a room, it’s no big deal. It happens spontaneously; there is no need for a process. But in a large company, there is. Creating a misfit between aspirations and resources is part of that process.”

Another part, according to Dr Prahalad, consists of tapping employees for entrepreneurial ideas. He sees the elitist approach, where the top bosses are also the top ideas people, as a recipe for mediocrity. “Smart strategy always involves a large

number of people,” he points out. “Because knowledge about customers, about competitors, about new technologies — all this resides lower down in the organisation. So any top management needs to capture the imagination of the people there.”

Another key element of strategy, according to Dr Prahalad, lies in the leveraging of resources. “If you want to be innovative, you must leverage everything you can — your suppliers, your partners, your employees, and even your competitors,” he points out. “That’s how you get the most bang for your buck.”

But the scarcest and most important thing a company can leverage is talent and skills, and the past products of these, he says. “A company must redeploy and recycle what it has invested in.” “If you have a big investment over a long time in, say, optical technology like Philips or Sony, you need to continuously redeploy it in new businesses. It doesn’t have to be in businesses that you’re already in: it can be in businesses that you’re not in. For example, the compact disc was invented as an audio device. But every PC comes with a CD-ROM. The CD today is also an integral part of video, graphics and games. That’s not what it was invented for. “The ability to leverage it across multiple users is the basic idea behind core competence. It means re-using, redeploying, sharing, furthering and nurturing the skill base of the company. If you have a core technology, you must also have the capacity to share it across boundaries.”

“In other words,” says Dr Prahalad “you ought to look at a corporation not only as a portfolio of businesses but as a portfolio of competencies that cut across multiple businesses. Sometimes you have to create new businesses, you have to make new space. That’s what discovery is all about.”

---

### 3.4 A. CHAUDARY

---

Speaking of contemporary business thinkers, another fine entrepreneur, educator, author and enterprising personality is Arindham Chaudhuri. His contribution to the field of management studies in India can be found in the iconoclastic “*Theory ‘i’ Management*” which he has developed for India Inc. “Theory ‘i’ Management” is about India centric management ideas. For the last few years he has been conducting workshops on Leadership and Strategic Vision exclusively for CEOs, MDs, Directors and Presidents from the corporate sector. From the Managing Director of Hero Motors to the President of Tata Chemicals, from the Executive President of A.V. Birla Group to the CEO of Ernst & Young... have all taken leadership training workshops from him. As a celebrated speaker he is regularly invited to speak at various annual conferences and national conventions. He also happens to be highest paid speaker in the country.



An economist by passion and education, during Bill Clinton's historic visit to India he launched his Great Indian Dream - : India can beat America, a series of seminars for every Indian. Held in all the metros of India, these seminars had thousands of people pouring in from all walks of life. In these seminar's he not only highlights the inherent strengths of the Indian culture but also talks about an alternative resource mobilization and allocation package for an Indian turnaround. To facilitate social activities based on this he has started the Great Indian Dream Foundation in memory of his brother Aurobindo Chaudhuri. He was recently rated as one of the 50 leading thinkers in South Asia by Wilton Park (an organisation supported by the European Commission and British foreign office).

Further, he was awarded the Academic Gold Medal while completing the Post Graduate Diploma in Planning and Management from IIPM. Prof. Chaudhuri was awarded "Management Guru 2000 Award" by Chennai based Om Venkatesa Society which annually honours management experts.

---

### **3.5 SHIV KHERA**

---

In this dog-eat-dog business world, if you are not self motivated, self confident and unique, you will be trampled over. At such times look into the works of the distinguished management guru and motivator, Shiv Khera. His gospel:- "Winners don't do different things, they do things differently" Shiv Khera is the founder of Qualified Learning Systems Inc. An educator, business consultant, a much sought after speaker and a successful entrepreneur. He has taken his dynamic personal message around the world. Shiv has been recognized as a "Louis Marchesi Fellow" by the Round Table Foundation. His client list includes the who's who of the corporate world.

He has authored three bestsellers, amongst other books. His first book "You Can Win", which came out in 1998, has sold over a million copies worldwide. His second book "Living With Honour" hit the stands in August 2003, becoming an instant bestseller. Then within a span of six months in February 2004, his third book "Freedom Is Not Free" was released, also to become a bestseller.

His first two books are on an individualistic level, where he defines the winning edge as achieving excellence rather than perfection, as excellence paves the way for progress. He also conveys that it is better to be honourable than to be honoured. His work offers direction for living with pride in a cluttered environment. His latest book concentrates on society. Here he firmly believes that a progressive society is the basis for individual progress of its people.

Transforming his years of experience as a motivator into a practical tool, he has developed a core program/workshop known as the Blueprint for Success (BPS). This program motivates people to recognize their true potential and gain success - personally and professionally.

---

### 3.6 MICHAEL HAMMER

---

An engineer by training, Hammer was the proponent of a process-oriented view of business management.

Michael Hammer is one of those celebrated big thinkers of the business world. Reengineering the Corporation, his 1993 best-seller co-authored with James Champy, prompted managers to overhaul their business structures in pursuit of dramatic improvements. Some succeeded, but by the end of the decade, the term had also become synonymous with layoffs and plant closures. Meanwhile, Hammer seemed bogged down by his very success.

Dr. Hammer's groundbreaking research and visionary thought leadership over the years has galvanized the business world—beginning with his leadership of the reengineering movement and continuing with his brilliant formulation of the process-centered organization. Hammer's ideas have become integrated into the DNA of businesses and organizations worldwide and continue to retain their relevancy in today's challenging economic environment.

**Michael Hammer** five important contributions towards Business Process Management. : **'Reengineering and the Corporation'** emphasis on Concept of 'Management Process Design', **'Coined the end of Adam Smith Era'**, defended the undoing of the Industrial Revolution and stated that a new organization had to re-emerge under the supervision of a strong leader with vision, who, using information technologies, consulting closely with the suppliers to reduce inventories, and empowering employees, would build a more efficient organization. **'Started Shaping the modern Business Process'**, Michael Hammer defended that corporation ought to simplify and reorganize business departments by having workers do their work which could contribute for greater efficiency and productivity. **'Empowered the information worker'**, Michael defended saying that in new organizations and managers should switch from supervisory roles to facilitators. They ought to become enablers and mentors of those who they manage, empowering them to perform value—adding processes themselves, making sure their contribution would be recognized by the top management. **'Powerful ideas gone bad'** this misinterpretation led to firing of workers, hence

Michael emphasized that the term re-engineering was misappropriated and misunderstood and stated that re-engineering should be taken to promote greater production and create more jobs.

---

### 3.7 MICHAEL PORTER

---

Professor Porter is a leading authority on competitive strategy and the competitiveness and economic development of nations, states, and regions.

Professor Porter's ideas on strategy have now become the foundation for one of the required courses at the Harvard Business School. Professor Porter speaks widely on competitive strategy and international competitiveness to business and government audiences throughout the world. In 2001, Harvard Business School and Harvard University jointly created the Institute for Strategy and Competitiveness, led by Professor Porter, to further his work. Professor Porter is the author of 16 books and over 85 articles. His book, *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, is in its 58th printing and has been translated into seventeen languages. His second major strategy book, *Competitive Advantage: Creating and Sustaining Superior Performance*, is in its 34th printing. His Harvard Business Review article 'What is Strategy?' is the foundation for a new strategy book it also well known. His article 'Strategy and the Internet' (2001) won for Professor Porter an unprecedented third first-place McKinsey Award as the best Harvard Business Review article of the year.

---

### 3.8 GARY HAMEL

---

In the new economy, the companies that create **new wealth** are truly revolutionaries: they upend long-held industry conventions, they fearlessly challenge the old guard, and they amaze their customers with products and services that could scarcely have been imagined a few years earlier. In doing so, they render existing business models obsolete. In this environment, the most fearsome threat to continued success is not inefficiency but **irrelevancy**. Any company that is not an industry revolutionary is already on the road to insignificance.

**Industry revolution** is the product of **strategy innovation**. In an increasingly non-linear world, only non-linear strategies will create new wealth. As companies move beyond the incremental, strategy innovation—the capacity to reconceive product and service concepts, redraw market boundaries, and radically alter deep-down industry economics—will become the next critical competitive advantage. Strategy innovation is the only way for a company to renew its lease on success.

Yet most companies are built for continuous improvement, rather than for discontinuous innovation. They know how to get better, but they don't know how to get different. In a world where incumbency is worth next to nothing, a company must be capable of reinventing its deepest **sense of self** and its **core business concept** not once a decade, in the midst of a crisis, when it trades out one CEO for another, but continuously, year after year. Twenty years ago the challenge was quality. Ten years ago the challenge was re-engineering. Now the challenge is strategy innovation.

In *Leading the Revolution*, Professor Gary Hamel, the world's most profound business thinker, lays out a clear **plan of action** for any company intent on becoming—and staying—an industry revolutionary. *Leading the Revolution* is not a book for dilettantes. It is not a book for corner-office types who would rather protect their prerogatives than overthrow industry orthodoxy. It is not a book for those who need reassurance that they're already doing "the right thing." *Leading the Revolution* is a book for those who want to make a difference-in their world and in their organization. It is a book for those who are tired of playing it safe. It is a book for people who care so much about their customers, their colleagues and their own legacy that they can't imagine not **Leading the Revolution**.

---

### 3.9 AL RIES

---

Positioning, a concept developed by the authors, has changed the way people advertise. The reason? It's the first concept to deal with the problems of communicating in an over communicated society. With this approach, a company creates a 'position' in the prospect's mind, one that reflects the company's own strengths and weaknesses as well as those of its competitors. Witty and fast-paced, this book spells out how to position a leader so that it gets into the mind and stays there, position a follower in a way that finds a 'hole' not occupied by the leader, and avoid the pitfalls of letting a second product ride on the coattails of an established one. Revised to reflect significant developments in the five years since its original publication, *Positioning* reveals the fascinating case histories and anecdotes behind the campaigns of many stunning successes and failures in the world of advertising.

While he doesn't go so far as to say that small is beautiful, Ries (*Positioning*) levels a commonsense critique at the compulsion for growth that drives corporate America. Growth for its own sake, particularly when it involves diversification into products unrelated to a company's original business, Ries says, causes many companies to become unfocused, confuses customers and loses money. The frenzy for acquisitions

that spread many a well-known brand name over a diversity of products has proved untenable, with the result that companies that grew fat are regaining their original focus by slimming down. itself of all but its original retail chain.

Al Ries defines corporate focus as an organization's "necessary" and relentless pursuit to specialize within its industry. For example, one of Ries' examples, PepsiCo, should've focused on its core competency (the Pepsi cola brand), and spun off all other divisions such as its food chains division (KFC, Pizza Hut, Del Taco) and its snack foods division (Frito Lay). PepsiCo, he claims, will lose the war with Coca-Cola unless it focuses on just one enemy (Coke) rather than several. Interestingly enough, Ries's prophecy towards future focus within organizations happens to have become the biggest hit on Wall Street in 1997, and in the case of PepsiCo, came true.

---

### 3.10 TOM PETERS

---

**"In no small part, what American corporations have become is what Peters has encouraged them to be" New York. "Peters is ... the father of the post-modern corporation."** —Los Angeles Times

**"We live in a Tom Peters world."** —Fortune

Tom Peters the Uber-guru of management, and compares him to Ralph Waldo Emerson, Henry David Thoreau, Walt Whitman, and H.L. Mencken. The Economist tagged him the Uber-guru; and Business Week's take on his "unconventional views" led them to label him "business's best friend and worst nightmare." In 2004 the Bloomsbury Press book *Movers and Shakers* reviewed the contributions of 125 business and management thinkers and practitioners, from Machiavelli and JP Morgan to Tom and Jack Welch.

"Tom Peters has probably done more than anyone else to shift the debate on management from the confines of boardrooms, academia, and consultancies to a broader, worldwide audience, where it has become the staple diet of the media and managers alike. Peter Drucker has written more and his ideas have withstood a longer test of time, but it is Peters—as consultant, writer, columnist, seminar lecturer, and stage performer—whose energy, style, influence, and ideas have shaped new management thinking."

Two Tom Peters biographies have been published: **Corporate Man to Corporate Skunk: The Tom Peters Phenomenon** and **Tom Peters: The Bestselling Prophet of the Management Revolution** In an in-depth analytic study released by Accenture's Institute for Strategic Change in 2002, Peters scored 2nd among the top 50 "Business Intellectuals," behind Michael Porter and ahead of Peter Drucker.

Leadership guru Warren Bennis, the only person who knows both Peter Drucker and Tom personally, told a reporter, “If Peter Drucker invented modern management, Tom Peters verified it.” In fact, as even Tom’s book titles indicate, his passion is passion: Destruction & Disruption & Re-imaginings ... Talent Liberation for a Brand You/WOW Projects World ... Creativity, Game-changing Innovation & Sustained Entrepreneurship. Tom’s newest passions are for Women-as-Leaders; the Supreme Role of Design in product and service differentiation; the Creation of Customer Experiences that rival a Cirque du Soleil performance; capturing the enormous, underserved market represented by Women and Boomers-Geezers; Re-imagining Education for a Creative Age; and reorienting healthcare from “fix-it-after-the-fact” to Wellness-Prevention. And pursuing Excellence Variety2005 ... Tom’s first “return to excellence” in 22 years.

---

### **3.11 JACK TROUT**

---

Instrumental in developing the vital approach to marketing known as “positioning,” he is responsible for some of the freshest ideas to be introduced into marketing thinking in the last decade. Jack Trout started his business career in the advertising department of General Electric. In 1985 he and Al Ries wrote a second best-selling book entitled Marketing Warfare. Positioning and Marketing Warfare are now published in 14 languages. In 1988 Bottom-Up-Marketing was published. It became very popular as the “process” book as it completed what has become known as the “Trilogy” of marketing books. In 1993 their book, The 22 Immutable Laws of Marketing quickly became the marketing bible. It outlined the basic reasons why marketing programs succeed or fail in the competitive nineties. Jack Trout closed the circle with the sequel to Positioning in 1995. Entitled The New Positioning it takes the world’s No. 1 business strategy to a new level. This was followed by The Power of Simplicity - A Management Guide To Cutting Through the Nonsense and Doing Things Right. It is a candid, unvarnished look at the foibles and complexities of business that get in the way of good decisions. This was followed by Differentiate or Die - Survival in Our Era of Killer Competition. It presents the keys to survival in a killer global economy. Differentiate or Die.- presents how you can and cannot differentiate yourself in the age of killer competition. A very popular book and lecture, it demonstrates that every product and service can be differentiated if you are willing to focus and sacrifice.

---

### 3.12 SUMMARY

---

The field of management has always been responsive to environmental changes. The modern society is experiencing more changes than were ever experienced in the past and the modern managers must keep pace with these changes. In the light of the recent developments in the economy, not only should management be responsive to changes, it must, in fact, promote changes and create progress. Traditionally, management was viewed as a field of study relevant to solve the technical problems related to production of goods. The focus was, thus, on the industrial sector. Gradually, a shift was observed from industrial sector to almost every field of the society. The focus changed from technical aspect to non-technical types of organizational problems. No wonder, management has come to be called as a generic and a universal concept. Managers have to face ;bring about a change in the corporate governance. Thus the contributions from various managements experts have a great deal in dealing with the human element in the organization.

---

### 3.13 SELF ASSESSMENT QUESTIONS

---

1. Explain briefly the recent trends in management.
2. Discuss the contribution of Peter Drucker to the field of management.
3. In what way is Shiv Khera's contribution different from A Chaudary contribution to management ?.
4. In what way is Shiv Khera's contribution benefiting the managers?

---

### 3.14 REFERENCES

---

1. Davar. *The Management process*. Mumbai: Progressive Corporation Pvt. Ltd, 2010.
2. Harold Koontz. Heinze Weihrich. *Essentials of management*, New York: MacGraw-Hill,1993
3. J S. Chandan. *Management Concepts and Strategies*, New Delhi: Vikas Publishing House PvtLimited,1997.
4. Chauhry Omvir, Prakash Singh. *Principles of Management*, New Delhi: New Age International Publishers, 2012.
5. Peter. Drucker. *Management of 21<sup>st</sup> Century*, New York: HarperBusiness,2001.
6. Prasad L.M. *Principles of Management*, New Delhi: Sultan Chand & Sons, 2015.
7. Stoner J.A. and Freeman R.E. ***Management, New Delhi: Pearson Education India,1995.***

---

## **UNIT –4 : MANAGEMENT AS ARTS / SCIENCE AND PROFESSION. MANAGEMENT LEVELS AND SKILLS, MANAGERIAL ROLES, MINTZ BERG’S ROLES OF PRESENT MANAGERS**

---

### **Structure**

- 4.0 Objectives
- 4.1 Introduction
- 4.2 Management as science
- 4.3 Management as Art
- 4.4 Management as a profession
- 4.5 Management Levels
  - 4.5.1 Top level managers
  - 4.5.2 Middle level managers
  - 4.5.3 Lower level managers
- 4.6 Functional Managers
- 4.7 General Managers
- 4.8 Line managers
- 4.9 Staff managers
- 4.10 Management skills
  - 4.10.1 Technical skill
  - 4.10.2 Human skill
  - 4.10.3 Conceptual skill
- 4.11 Role Managers Play
- 4.12 Mintz Berg’s roles of present managers
- 4.13 Summary
- 4.14 Self assessment Questions
- 4.15 References



---

## **4.0 OBJECTIVES**

---

After studying this unit you will be in a position

- To define management.
- Able to understand why management is an art.
- Understand the concept of management as a science.

---

## **4.1 INTRODUCTION**

---

Arts and Science of Management: A question often arises whether management is a science or an art. “ Management is the oldest of arts and the youngest of sciences”. To have an exact answer to this question, it is necessary to know the meanings of the terms” Science “ and “Arts”.

---

## **4.2 MANAGEMENT AS SCIENCE**

---

Science has been defined as a body of systematized knowledge which establishes a relationship between cause and effect. Such systematized knowledge contains concepts, hypotheses, theories, experimentation and principles. Science of Management assumes that problems can be approached using rational, logical, objective and systematic ways. Requires technical, diagnostic and decision-making skills and techniques to solve problems. Now management has been given the shape of an organized body of knowledge . Its study helps in gaining a rational approach to the development of means for accomplishing certain goals. Management is a developing science. However, management cannot be equated with exact sciences like physics and chemistry. Most of the managerial activities like decision-making, planning, organizing and directing cannot be an exact science. In management , it is not possible to define , analyze and measure phenomena by repeating the same conditions over and over again to obtain results. The observation puts a limitation on management as a science. Management like other social sciences can be called as “inexact science”.

---

## **4.3 MANAGEMENT AS ART**

---

Art understands how a particular activity can be done. Art can be acquired by conscious effort and practice. Management is getting things done through other people. They have to continuously analyse the environment and formulate the plans and strategies. They have to modify the strategies based on the environmental changes. The principles of management and theories of management cannot be implemented as

learnt, in the real world. They are to be applied after making necessary modifications based on the real life situations. Art may be defined as ‘the technique of applying the principles to actual practice so as to achieve the desired results with efficiency.’ It is concerned with the application of knowledge and skills, If science is learnt the art is practised. Decisions are made and problems are solved using a blend of intuition, experience , instinct and personal insights. Conceptual , communication,, interpersonal and time-management skills are required to accomplish the tasks associated with managerial activities. The principles and techniques of management, when applied in the organization to achieve its objectives, becomes an ‘art’. In this manner management is an art.

Management is both a Science as well as an Art. The science of management provides certain general principles , which can guide the managers in their professional efforts. The art of management consists in tackling every situation in an effective manner. As a matter of fact the science and the art of management go together and are both mutually interdependent and complimentary. Management is thus a science as well as an art. The art of management is as old as human history, but the science of management is an event of the recent past. Although management has been recognized as a science , it is not the biological or physical sciences. It falls in the area of ‘Social Sciences’ as it is a social process and deals with complex human beings. The theories and principles of management are situation bound. It may produce different results in different situations. That is why Ernest Dale has called management a ‘Soft Science’.

It is clear that management is both a science and an art. It is considered a science because it has an organized body of knowledge. It is considered an art because managing requires certain skills. Science teaches hoe ‘to know’ and an art ‘to do’, hence science and art are complimentary. A manager is a scientist as well as an artist. As a scientist ,he relies heavily on the existing knowledge and develops new knowledge and principles. As an artist , he sometimes wholly depends on his institution, guesswork and judgement. Thus a manager uses his knowledge to solve the problems in managing men, materials, methods and money.

---

#### **4.4 MANAGEMENT AS A PROFESSION**

---

Over a large few decades, factors such as growing size of business unit, separation of ownership from management, growing competition etc have led to an increased demand for professionally qualified managers. The task of manager has been quite specialized. As a result of these developments the management has reached a stage where everything is to be managed professionally.

A profession may be defined as an occupation that requires specialized knowledge and intensive academic preparations to which entry is regulated by a representative body. The essentials of a profession are:

**1. Specialized Knowledge** - A profession must have a systematic body of knowledge that can be used for development of professionals. Every professional must make deliberate efforts to acquire expertise in the principles and techniques. Similarly a manager must have devotion and involvement to acquire expertise in the science of management.

**2. Formal Education & Training** - There are no. of institutes and universities to impart education & training for a profession. No one can practice a profession without going through a prescribed course. Many institutes of management have been set up for imparting education and training. For example, a CA cannot audit the A/C's unless he has acquired a degree or diploma for the same but no minimum qualifications and a course of study has been prescribed for managers by law. For example, MBA may be preferred but not necessary.

**3. Social Obligations** - Profession is a source of livelihood but professionals are primarily motivated by the desire to serve the society. Their actions are influenced by social norms and values. Similarly a manager is responsible not only to its owners but also to the society and therefore he is expected to provide quality goods at reasonable prices to the society.

**4. Code of Conduct** - Members of a profession have to abide by a code of conduct which contains certain rules and regulations, norms of honesty, integrity and special ethics. A code of conduct is enforced by a representative association to ensure self discipline among its members. Any member violating the code of conduct can be punished and his membership can be withdrawn. The AIMA has prescribed a code of conduct for managers but it has no right to take legal action against any manager who violates it.

**5. Representative Association** - For the regulation of profession, existence of a representative body is a must. For example, an institute of Chartered Accountants of India establishes and administers standards of competence for the auditors but the AIMA however does not have any statutory powers to regulate the activities of managers.

**6. Specialised Educational Qualifications:** There should be specialised educational qualifications for employment for professional jobs. Specialised educational institutions are established to impart specialized education. Indian Institutes of

Management and Department of Management in the Universities are established to provide specialised management education leading to Post-Graduate Diploma in Management and Master of Business Administration degree.

Management satisfies all the characteristics of a profession. Therefore, management is a profession. From above discussion, it is quite clear that management fulfills several essentials of a profession, even then it is not a full fledged profession because: -

- It does not restrict the entry in managerial jobs for account of one standard or other.
- No minimum qualifications have been prescribed for managers.
- No management association has the authority to grant a certificate of practice to various managers.
- All managers are supposed to abide by the code formulated by AIMA,
- Competent education and training facilities do not exist.
- Managers are responsible to many groups such as shareholders, employees and society. A regulatory code may curtail their freedom.
- Managers are known by their performance and not mere degrees.
- The ultimate goal of business is to maximize profit and not social welfare. That is why Haynes has rightly remarked, “The slogan for management is becoming
- ‘He who serves best, also profits most’.”

### **Management Levels and Skills:**

The Industrial Revolution which began in the eighteenth century transformed the job of manager from owner-manager to professional, salaried manager. The inventions, machines, and processes of the Industrial Revolution transformed business and management (such as, the use of fossil fuels as sources of energy, the railroad, the improvement of steel and aluminium metallurgical processes, the development of electricity, and the discovery of the internal-combustion engine.) With the industrial innovations in factory-produced goods, transportation, and distribution, big business came into being. New ideas and techniques were required for managing these large-scale corporate enterprises.

Today, business and management continue to be transformed by high technology. In order to keep pace with the increased speed and complexity of business, new means

of calculating, sorting and processing information were invented. An interesting description of the modern era is the Information Age that describes the general use of technology to transmit information.

Managers realized that they could profit from immediate knowledge of relevant information. Communication and processing technologies are an essential tool in almost every field of business. Thus, the Information Age implies a time for a revolution in the information environment for business and management. The changes that are taking place may be more significant to management than the Industrial Revolution.

---

## **4.5 MANAGEMENT LEVELS**

---

Managers basically formulate Mission , Objectives , Strategies and Tactics. Management is essential to achieve the MOST. The organizational mission is the basic reason for its existence. Mission provides a statement of what the company stands for i.e., its purpose of its existence. Managers formulate objectives based on the mission . Objectives are the ends towards which the activity is aimed. The goal is precise and is expressed in clear and specific terms. For example the objective of the firm is to earn profits whereas the goal is to earn certain percentage of profit on the capital employed. Manager is the one who performs the managerial functions of planning, organizing, staffing, directing, and controlling the human and non-human resources for the successful achievement of the organizational goals.

Managers affect the establishment and accomplishment of many social , economic, and political goals. Making a better economic life possible , improving social standards, and establishing and achieving more efficient and effective government are challenges to modern managerial ability . There is no good substitute for good management. “ good management is merely the exercise of common sense and the Golden Rule”.

Management include all the managers of a company. Management is classified as managers at different levels that is top level managers, middle level managers, and lower level managers

### **4.5.1 Top Level Managers**

Top level managers are the senior level executives of the company including the Managing Director or President, Vice-President, General Manager, Chief Managers of the company. Top management particularly the Managing Director or President of the company is responsible for the overall management and performance of the company. They formulate objectives , policies, and corporate level strategies of the

company. Top level managers lead and motivate the middle level managers . They coordinate the activities of middle level managers. These managers work at the highest level of the organizational hierarchy. The number of manager in this group is the smallest.

#### ***4.5.2 Middle Level Managers***

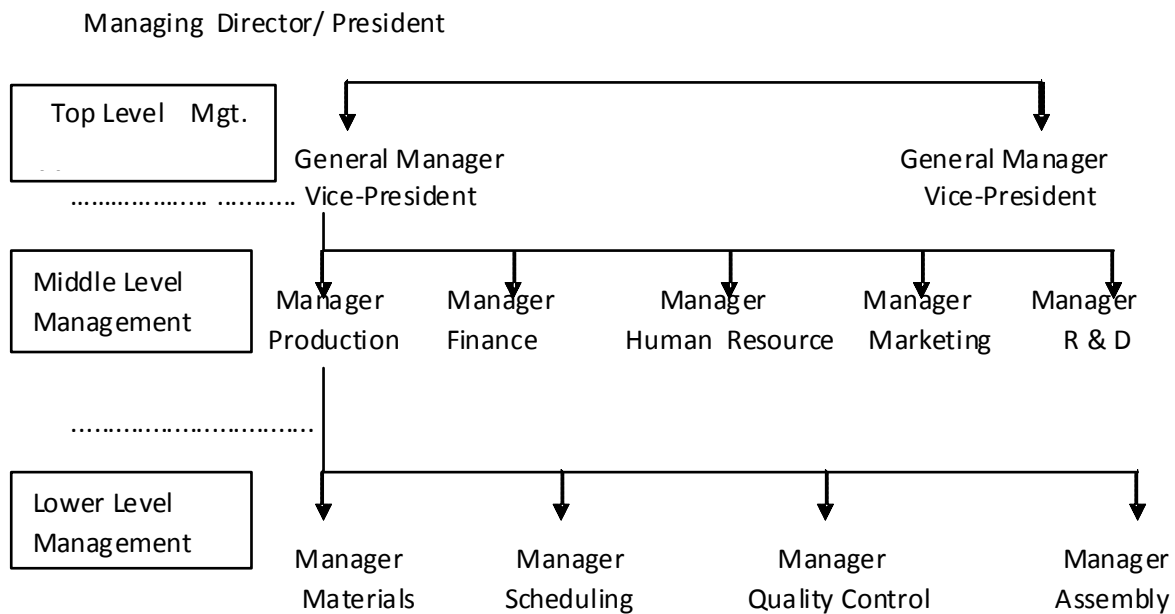
Middle level managers are responsible for coordination of the activities of various department. Middle level manager include managers of various departments like Production , Marketing, Finance, Human Resource and Research and Development department. These managers are responsible for the success or failure of their departments. Middle level managers formulate the objectives, goals and strategies of their departments based on those of the organization. In addition, middle level managers lead, motivate, and coordinate the activities of the lower-level managers. They act as a link between the top level and the lower level managers. They direct the activities of their subordinates according to their capacities for the achievement of the overall organizational goals. These managers spend most of their time in managing the company's day to day operations and have very little interaction with the outside parties. A large organization has a fairly large number of middle level managers though the number is less than the lower level managers.

#### ***4.5.3 Lower Level Managers***

Lower level Managers are responsible for the work of the operating staff working with them. Lower level managers are also called First-line or First-Level or Junior Managers. They direct, lead, motivate, and coordinate the activities of the operating employees. These managers, mostly supervise the operating employees while they perform their work. The lower level managers are also called supervisors. Largest number of managers belong to this level of management.

Lower level Managers are responsible for the work of the operating staff working with them. Lower level managers are also called First-line or First-Level or Junior Managers. They direct, lead, motivate, and coordinate the activities of the operating employees. These managers, mostly supervise the operating employees while they perform their work.

## Different Management Levels



Based on the scope of **activities** performed there are two type of managers. They are

Functional Managers

General Managers

---

### 4.6 FUNCTIONAL MANAGERS

---

These managers perform only one type of activity may it be finance, marketing or human resource management. People working under finance manager would be engaged in activities related to finance only, employees working under marketing manager would be looking after marketing activities and so on.

---

### 4.7 GENERAL MANAGERS

---

These managers look after an entire unit or an independent division of an organization, such as a subsidiary of a company. All the functional activities, like production, finance, marketing, personnel etc. of that unit are looked after by the General Managers.

Based on the *performance* there are Line Managers and Staff Managers

---

## **4.8 LINE MANAGERS**

---

The managers who are directly responsible for carrying out the various organizational activities necessary for the production and sale of goods and services are called the line managers. The chief executive, general managers and departmental managers are all line managers. These managers are in line with the organizational hierarchy.

---

## **4.9 STAFF MANAGERS**

---

The staff managers are those who assist the line managers inefficiently conducting the main business line of the firms. Managers heading the accounting, R & D, and legal consultancy departments are staff managers.

---

## **4.10 MANAGEMENT SKILLS**

---

In order to perform the functions of management and to assume multiple roles, managers must be skilled. Robert Katz identified three managerial skills that are essential to successful management: technical, human, and conceptual.

### ***4.10.1 Technical skill***

Involves process or technique knowledge and proficiency. Managers use the processes, techniques and tools of a specific area skill. Technical skills deals with things. Technical skills are the proficiency in working with machines, tools and techniques in human resource management. Managers at all levels should possess technical skills. Those at the lower level should possess more of technical skills whereas managers at the top level possess less technical skills compared to those at middle and lower levels.

### ***4.10.2 Human skill***

Involves the ability to interact effectively with people. Managers interact and cooperate with employees. Human skills include the ability to work with people tactfully, interpersonal proficiency, ability to build, maintain and work in teams and create an open environment. Managers at all levels should possess these skills.

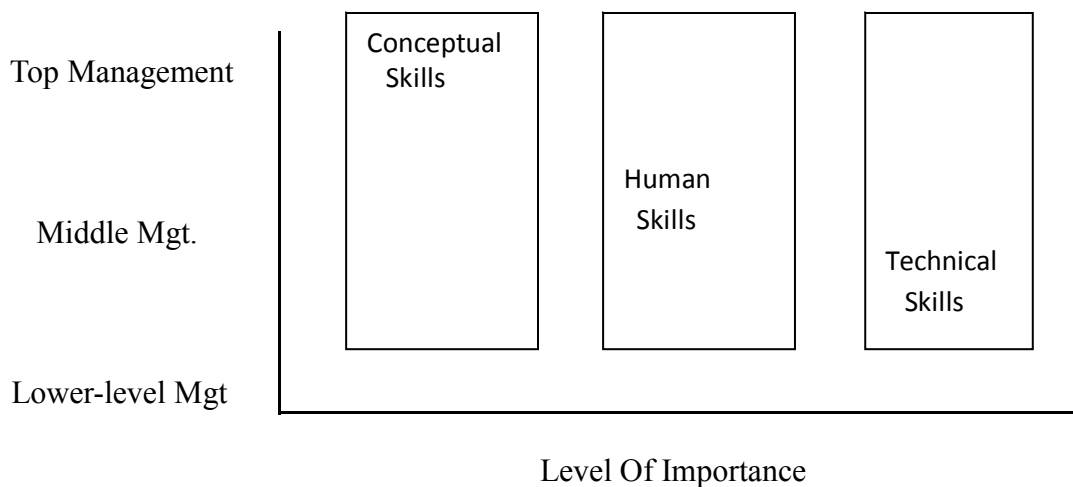
### ***4.10.3 Conceptual skill***

Involves the formulation of ideas. Managers understand abstract relationships, develop ideas, and solve problems creatively. Thus, technical skill deals with things, human skill concerns people, and conceptual skill has to do with ideas.



A manager's level in the organization determines the relative importance of possessing technical, human, and conceptual skills. Top level managers need conceptual skills in order to view the organization as a whole. Conceptual skills are used in planning and dealing with ideas and abstractions. Supervisors need technical skills to manage their area of specialty. All levels of management need human skills in order to interact and communicate with other people successfully.

### Managerial Skills at Different levels



As the pace of change accelerates and diverse technologies converge, new global industries are being created (for example, telecommunications). Technological change alters the fundamental structure of firms and calls for new organizational approaches and management skills.

---

### 4.11 ROLES MANAGERS PLAY

---

To meet the many demands of performing their functions, managers assume multiple roles. A role is an organized set of behaviors. Henry Mintzberg has identified ten roles common to the work of all managers. The ten roles are divided into three groups: interpersonal, informational, and decisional. The *informational roles* link all managerial work together. The *interpersonal roles* ensure that information is provided. The *decisional roles* make significant use of the information. The performance of managerial roles and the requirements of these roles can be played at different times by the same manager and to different degrees depending on the level and function of management. The ten roles are described individually, but they form an integrated whole.

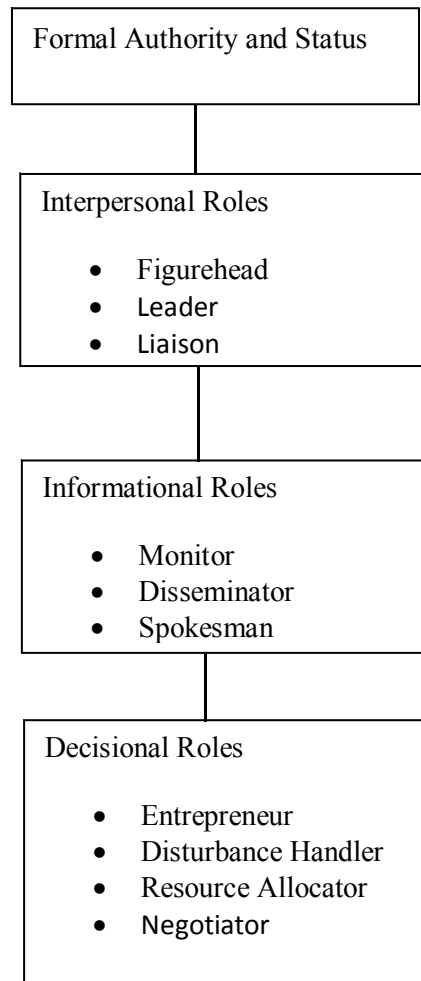
The three interpersonal roles are primarily concerned with interpersonal relationships. In the figurehead role, the manager represents the organization in all matters of formality. The top level manager represents the company legally and socially to those outside of the organization. The supervisor represents the work group to higher management and higher management to the work group. In the liaison role, the manager interacts with peers and people outside the organization. The top level manager uses the liaison role to gain favors and information, while the supervisor uses it to maintain the routine flow of work. The leader role defines the relationships between the manager and employees.

The direct relationships with people in the interpersonal roles place the manager in a unique position to get information. Thus, the three informational roles are primarily concerned with the information aspects of managerial work. In the monitor role, the manager receives and collects information. In the role of disseminator, the manager transmits special information into the organization. The top level manager receives and transmits more information from people outside the organization than the supervisor. In the role of spokesperson, the manager disseminates the organization's information into its environment. Thus, the top level manager is seen as an industry expert, while the supervisor is seen as a unit or departmental expert.

The unique access to information places the manager at the center of organizational decision making. There are four decisional roles. In the entrepreneur role, the manager initiates change. In the disturbance handler role, the manager deals with threats to the organization. In the resource allocator role, the manager chooses where the organization will expend its efforts. In the negotiator role, the manager negotiates on behalf of the organization. The top level manager makes the decisions about the organization as a whole, while the supervisor makes decisions about his or her particular work unit.

The supervisor performs these managerial roles but with different emphasis than higher managers. Supervisory management is more focused and short-term in outlook. Thus, the figurehead role becomes less significant and the disturbance handler and negotiator roles increase in importance for the supervisor. Since leadership permeates all activities, the leader role is among the most important of all roles at all levels of management.

## Roles of Managers



---

### 4.12 MINTZBERG'S ROLES OF PRESENT MANAGERS

---

Henry Mintzberg has identified ten roles common to the work of all managers. The ten roles are divided into three groups :

- Interpersonal
- Informational
- Decisional

Interpersonal roles ensure that information is provided. Informational roles link all managerial work together. The decisional roles make significant use of the information. The activities of the managers may be categorized under the following heads:

**i. Interpersonal Activities:** Managers deal with the subordinates to get things done with their help. For this , they interact and maintain good relations with them.

**ii. Informational Activities :** It is very important for managers to communicate effectively in order to get things done. They continuously receive information from various sources and transmit only the desired information. They exchange information with their superiors , subordinates and peers.

**iii. Decisional Activities:** Decision making inherent to the job of a manager. The managers have to take a large number of decisions daily to run the organisation. They are expected to come up with solutions to difficult problems and to follow through with their decisions, even when doing so may be unpleasant.

<b>Roles of Manager</b>	<b>Roles</b>
Roles of Manager as part of the <b>Interpersonal Activities</b> he has to perform	Figurehead Leader Liaison
Roles a Manager takes up while engaged in <b>Informational Activities</b>	Monitor Disseminator Spokesperson
Roles of Manager plays in <b>relationship</b> with other individual both inside and outside the firm.	Entrepreneur Disturbance handler Resource Allocator Negotiator

Managerial activities involve variety , fragmentation, brevity and a large volume of work to be performed quickly. The three interpersonal roles are primarily concerned with interpersonal relationships. In the figurehead role, the manager represents the organisation in all matters of formality. The top level manager represents the company legally and socially to those outside of the organisation. The supervisor represents the work group to higher management and higher management to the work group. In the liaison role, the manger interacts with peers and people outside the organisation. The top level manager uses the liaison role to gain favours and information, while the supervisor uses it to maintain the routine flow of work. The leader ole defines the relationship between the manger and employees.

The direct relationship with people in the interpersonal roles place the manager in a unique position to get information. Thus, the tree informational roles are primarily concerned tithe the information aspects of managerial work. In the monitor role, the ;manager receives and collects information. In this role as of disseminator, the transmits

special information into the organization. The top level manager receives and transmits more information from people outside the organization than the supervisor. In the role of spokesperson, the manager disseminates the organization's information into its environment. Thus, the top level manager is seen as an industry expert, while the supervisor is unit or department.

The unique access to information places the manager at the centre of organisational decision making. There are four decisional roles. In the entrepreneur role, the manager initiates change. In the disturbance handler role, manager deals with threats to the organisation. In the resource allocator role, the manager chooses where the organization will expend its efforts. In the negotiator role, the manager negotiates on behalf of the organization. The top level manager makes the decisions about the organisation as a whole, while the supervisor makes decisions about this or her particular work unit.

The supervisor performs these managerial roles but with different emphasis than higher managers. Supervisory management is more focused and short-term in outlook. Thus, the figurehead role becomes less significant and the disturbance handler and negotiator roles increase in importance for the supervisor. Since, leadership permeates all activities, the leader role is among the most important of all roles at all levels of management.

---

#### **4.13 SUMMARY**

---

Managers perform different roles. Formal authority gives rise to inter-personal and informational roles. The manager in-charge of the organization or the department coordinates the work of others and leads his subordinates. Formal authority provides potential power to exercise and get the things done. As the leader of the organization, the manager has to perform the functions of motivation, communication, encouraging team spirit. Further, he has to coordinate the activities of all his subordinates which involves the activity of liaison. According to Peter Drucker: "the manager has the task of creating a true whole that is larger than the sum of its parts, a productive entity that turns out more than the sum of the resources put into it". Though the different roles of a manager are stated separately for convenience, they are not separable. The manager has to perform these roles simultaneously, by integrating one with the other. Thus, the role of the manager is integrating all the roles while playing the managerial role or performing his tasks. The manager cannot play one role isolating the other roles. As a strategist, the manager has to integrate all the roles in decision-making and performing his tasks.

---

#### 4.14 SELF ASSESSMENT QUESTIONS

---

1. Why is management called as an art?
2. Why management is called as Science?
3. Is management a profession ? Comment
4. Explain the different skills of management.
5. What are Mintz Berg's roles of present managers?

---

#### 4.15 REFERENCES

---

1. Davar. *The Management process*. Mumbai: Progressive Corporation Pvt. Ltd, 2010.
2. Harold Koontz. Heinze Weihrich. *Essentials of management*, New York: MacGraw-Hill, 1993
3. J S. Chandan. *Management Concepts and Strategies*, New Delhi: Vikas Publishing House Pvt Limited, 1997.
4. Chauhry Omvir, Prakash Singh. *Principles of Management*, New Delhi: New Age International Publishers, 2012.
5. Peter. Drucker. *Management of 21<sup>st</sup> Century*, New York: HarperBusiness, 2001.
6. Prasad L.M. *Principles of Management*, New Delhi: Sultan Chand & Sons, 2015.
7. Stoner J.A. and Freeman R.E. ***Management, New Delhi: Pearson Education India, 1995.***
8. Richard L. Daft. *Management*, Massachusetts, United States: Cengage Learning, 2013.
9. S.K. Mandal. *Management: Principles and Practice*, Mumbai: Jaico Publishing House, 2011.

---

## **UNIT - 5: NATURE, IMPORTANCE AND APPROACHES TO PLANNING**

---

### **Structure**

- 5.0 Objectives
- 5.1 Introduction
- 5.2 Meaning and Definition
- 5.3 Nature of Planning
- 5.4 Need for Planning
- 5.5 Approaches to Planning
- 5.6 Major Steps in the Process of Planning
- 5.7 Summary
- 5.8 Self Assessment Questions
- 5.9 References

---

## 5.0 OBJECTIVES

---

After studying this unit you should be able to;

- Assess the meaning of planning
- Discuss the need for planning
- Highlight the importance of planning
- Assess the various approaches to planning
- Describe the process of planning
- Discuss the various steps involved in planning

---

## 5.1 INTRODUCTION

---

Planning as a management discipline emerged in USA and other developed countries around 1950s. By 1965, it came in vogue and large undertakings began to practice it. Since 1965 it has gained much recognition and wide acceptance all around. Even in India it entered the academic field and came to be taught in the Indian Universities and management institutes.

Planning is the key management function. The functions of organizing, leading and controlling all carry out the decisions of planning. The increased emphasis on planning can be seen rapidly in the great number of executive conferences, workshop and writings on the subject the past few years.

Although some environments are less predictable than others all organizations operate in uncertain environments. For an organization to succeed, management somehow must cope with and adapt to change and uncertainty. Planning is the only tool management has to help it adapt to change. If an organization does no planning its position and fate five years hence will mostly be the result of any momentum built up previously and of luck (hopefully good). On its own the organization would follow some kind of course however, it must plan. Otherwise it will have to have any rely on defensive reactions rather than on planned actions. Management will be forced to respond to current pressures rather than the organization long run.

Every manager plans in one way or another. However the approach to planning the manner of arriving at plans and the completeness of plans can differ greatly from organization .Formal planning (as distinguished from the informal planning that we do in thinking through proposed actions prior to their execution) is an activity that



distinguishes managers from non managers. Formal planning also distinguishes effective managers from ineffective ones.

---

## **5.2 MEANING AND DEFINITION**

---

Planning is regards as a process of making decisions on what is to be done, When and how. Most management scholars and practitioners consider planning as a process of visualizing or anticipating the future. It is not enough to have a vision of the future. It should be backed by ways and means of realizing it. Broadly planning is a process of determining objectives, discovering alternative courses of action and choosing suitable ones for achieving objectives, many stages are involved in the process of planning which have to be tackled in a logical sequence.

In the next context of globalization of the business operations planning a process of identifying strengths and weakness of an organization and matching them with environmental threats of this nature is known as strategic planning.

***Let us discuss few definitions of planning for a better learning:***

“Planning is selecting and relating of facts and the making and using of assumptions regarding the future in the visualizations and formulation of proposed activities believed necessary to achieve desired results”

***- Terry***

“Planning is a process by which a manager looks to the future and discovers alternative courses of action open to him”

***- Joseph Massie***

***The key elements of planning are :***

- Process of deciding in advance what is to be done, how, when and by whom
- Logical thinking before doing
- Process of visualizing and anticipating the future by evaluating the past and assessing the present.
- Futurism and a sense of futurity is an integral part of planning
- Process of determining objectives discovering alternative courses of action and selecting suitable courses of action
- Involves decision making

- Process of identifying strengths and weakness of the organization and relating them to opportunities and threats arising out of the changing environment and discovering alternative courses of action open.

---

### **5.3 NATURE OF PLANNING**

---

Planning is regards as a process of making decisions on what is to be done. When and how. Most management scholars and practitioners consider planning as a process of visualizing or anticipating the future. It is not enough to have a vision of the future. It should be backed by ways and means of realizing it. Broadly planning is a process of determining objectives, discovering alternative courses of action and choosing suitable ones for achieving objectives, many stages are involved in the process of planning which have to be tackled in a logical sequence.

In the next context of globalization of the business operations planning aprocess of identifying strengths and weakness of an organization and matching them with environmental threats of this nature is known as strategic planning.

#### **i. Planning Is An Intellectual Activity**

In every planning process objectives are determined future is visualized forecasted, alternative courses of actions are developed and finally suitablecourses of action is selected for which managers require analytical abilities, imagination judgment creativity and innovativeness. Therefore planning is considered as an intellectual process.

#### **ii. Planning Is A Primary Function Of Management**

The process of management starts with planning. It is only after planning various activities that the structure of the organization is prepared. It is followed by staffing directing and controlling. Without planning there is little organizing staffing directing and controlling.

#### **iii. Planning Involves Futurism**

Plans are prepared for implementing them in the future. The planning process calls for visualizing the future with the help of analysis of past performance and evaluation of present position. Futurism has become an integral part of planning.

#### **iv. Planning Involves Decision Making**

In the process of planning after discovering various alternative courses action the managers have to make a choice and select the best. For this purpose they have to make decision

#### **v. Planning Is A Goal Oriented Process**

At the very outset the managers determine objectives. It is to achieve these objectives that an action programme is formulated and implemented.

#### **vi. Planning Is A Continuous Process**

There is continuity and regularity in the planning process. It is an on going process having no definable end. A set of various plans made by the managers have to be revised as per the changing environment. The managers keep a watch on the environment on a regular basis and revise plans in the light of changing situations.

#### **vii. Plan Is All Pervasive**

Planning is the prime mover of an organization. By preparing and implementing various plans different set of activities and resources of an organization are effectively utilized for achieving predetermined objectives. Plans are made for various activities carried out by different departments. Planning is the basic function of every manager. A manager discharges his responsibility of directing and coordinating group efforts to seek objectives only by making sound plans and implementing them efficiently. Every manager irrespective of his level and position makes plan.

However the importance nature and magnitude of planning depends the level at which it is made. Corporate planning at the top is broad fundamental and more strategic compared to departmental planning and plans made by first line supervisors. The scope extent and importance of planning tends to decrease as it descends downward in the organization

The nature of the problem area and degree of delegation of authority also effects the coverage and scope of planning for example planning on vital matters affecting survival and profitability of the organization is usually done at the higher level.

Planning is also regarded as a critical variable for the survival growth development and diversification of organization activities. It is found in practice that highly developed and profitable organization owe their success to sound planning and effectiveness in implementation

The primacy and pervasiveness of planning may also be justified in terms of its crucial place in the hierarchy of management functions. All managerial functions like organizing staffing directing and controlling are by and large follow up functions.

---

## 5.4 NEED FOR PLANNING

---

You cannot develop a sound plan at any level of an organization without first understanding and appreciating the necessity of planning. If a manager does not believe in the value of planning (and some managers do not) it is unlikely that he or she will develop a useful plan.

To better appreciate the need for planning, one should consider the following four important factors.

### ***1. The increasing time spans between present decision and future results***

The time span separating the beginning of a project and its completion is increasing in most organizations. Managers today must look further into the future than ever before. For example, it took 10 years to develop the supersonic jet and 10 years for General Foods to develop Maxwell House concentrated instant coffee. Meanwhile, Campbell Soup Company spent 20 years in developing a line of dry soup mixes and Hills Brothers worked 22 years to develop its instant coffee.

Obviously, planning becomes very critical in situations where the results of a decision will occur long after the decisions actually are made. So managers must attempt to consider what could happen that might affect the desired outcome. Effective planning can require large commitments of time and money, but management must seek every way possible to minimize uncertainty and its consequences. Planning is the only tool managers have to help them cope with change.

### ***2. Increasing organization complexity***

As organizations become larger and more complex, the manager's job also becomes bigger and more complicated by the interdependence among the organization's various parts. It is virtually impossible to find an organization (or even a division of a large organization) in which the decisions of the various functions such as research and development, production, finance, and marketing can be made independently of one another. The more products an organization offers and the more markets it competes in, the greater the volume of its decisions. One midwestern bank, for instance, offers more than 175 services just for its consumers (not its business customers). Planning in these circumstances becomes even more important for survival.

Planning enables each unit in the organization to define the job that needs to be done and the way to go about doing it. With such a blueprint of objectives, there is less likelihood of changing direction, costly improvising, or making mistakes.

### **3. Increased external change**

A major role of managers has always been that of change initiator. A manager must be an innovator and doer, someone in constant search of new markets, business and expanded missions. Rapid rates of change in the external environment will force managers at all levels to focus on larger issues rather than solely on solving internal problems. The faster the pace of change becomes, the greater the necessity for organized responses at all levels in the organization and organized responses spring from well thought out plans.

### **4. Planning and other Management functions**

The need for planning also is illustrated by the relationship between planning and the other management functions. We already know that planning is the beginning of the management process. Before a manager can organize, lead or control, he or she must have a plan. Otherwise these activities have no purpose or direction. Clearly defined objectives and well-developed strategies set the other management functions into motion.

The effect of planning on the other management functions can be understood by considering its influence on the function of control. Once a plan has been translated from intention into actions, its relationship to the control function becomes obvious. As time passes, managers can compare actual results with the planned results. The comparisons can lead to corrective action and that, as well as seen later in the book, is the controlling. The following management Application describes a company which has only recently recognized the need for formal planning.

#### ***IMPORTANCE OF PLANNING***

The need and importance of planning can be judged on the basis of the following factors:

##### **i. Planning determines the future destination of an organization**

At the first stage of the planning process, the objectives of the organization are determined. All the activities are directed and coordinated for accomplishing the objectives, thereby making the organization a purposeful system with a predetermined destination.

##### **ii. Planning makes activities of employees meaningful**

A clear understanding of the objectives helps the employees in knowing how their work is related to organizational goals and enables them to direct their efforts to make their contribution more valuable.

### **iii. Planning economics operations**

Activities are planned to reduce inefficiency and wastage which leads to economy in operations. It improves the performance of other managerial functions like organizing, staffing directing and controlling by making the task of managing more effective.

### **iv. Planning helps in reducing the risk of uncertainties**

The uncertainties associated with the future are exposed by using the technique of forecasting which provides meaningful clues. Managers attempt to predict the nature for identifying potential dangers and initiate action to reduce the adverse effects.

### **v. Planning leads to the discovery of new ideas and opportunities**

Planning is an intellectual activity involving the use of analytical creative and innovative abilities which may throw up ideas and generate opportunities for profitability exploitation. Regular use of such abilities may inject dynamism in the management of the organization

### **vi. Planning facilities co-ordination**

Plans are made by managers at different levels of the organization which requires co ordination. The corporate plan provides the guidelines and lays down the parameters for different departments. First line supervisors plan within the departmental plan, thereby providing complete co ordination of all activities from the lowest to the highest one.

### **vii. Planning facilitate efficient control**

Control pre supposes the existence of planning without planning control has little meaning. The objectives serve as a base for control. Actual results are compared with objectives which also are a standard of performance . Deviations are sorted out and necessary remedial measures are taken to improve the results.

### **viii. Planning provides direction**

The objectives laid down in planning become guiding posts for directing and mobilizing the activities of the employees. The quality of leadership motivation and communication is conducted by the objectives. The knowledge of objectives on the part of employees and their contribution acts as a motivation force and inspires them to increase their efforts.

## **ix. Planning as a response of the management to cope with the changing environment**

Planning enhances the capabilities of the organization to cope with rapidly changing environment. Managers keep track of the development which may likely to affect future and take suitable timely measures to deal with them, Without heroic planning efforts the uncertainty associated with the future environment cannot be handled and managed properly. Keeping in view the degree of profitability of occurrence of events in the future managers develop alternative plans.

The increased importance of planning for business organization is a direct result of the fast changing environment consisting of socio economic technological political and legal factors which are complex and dynamic. The following points also indicate importance of planning.

### **1. Coping with future uncertainty and change**

It is planning by means of which managers is able to deal effectively with the future uncertainty and change.

### **2. Focuses attention on objectives**

By its very nature planning is directed towards achieving enterprise objectives that is what the enterprise aims at achieving in a given period and how it intends to accomplish the predetermined objectives.

### **3. It obtains economical operations**

Planning helps to minimize cost by bringing about efficiency in operation and consistency all around eliminating expensive random inconsistent and haphazard activities and overlapping efforts.

Without planning production would reach a stage of utter chaos and confusion and would be so expensive.

### **4. Foundation for successful operations**

Planning is the foundation of most successful operations of an enterprise indicating the direction of its growth.

### **5. Provides performance standards and facilities control**

A good plan clearly establishes and specifies its goals how will it be possible for managers to check up and measure their subordinates accomplishment? It is planning

that provides specific standards in terms of pre determined goals to check measure and control.

#### **6. Stimulates environmental awareness**

For the successful operation of a business it becomes necessary for managers to be well awake to the constant environmental changes that are taking place today and are likely to occur in the future as a result of socioeconomic, political and technological influences. It is planning that helps managers establish an agreeable relationship with the environment and thus control the **events** posing risk and uncertainty.

#### **7. Fosters unity of purpose**

Within an organization there are functional departments like production finance marketing and personnel. For carrying out their respective functional activities toward the achievement of goals they rely on the so called functional plans which are essentially based on and within the ambit of the corporate plan. It is fundamentally planning that fosters unity of purpose within these plans.

#### **8. It helps foreseeing and identifying potential opportunities and risks,**

In an organization long term planning it seems impossible to eliminate altogether the risk and uncertainty of its decision. However planning helps the organization to foresee and identify those areas of potential and challenging opportunities risks and uncertainties and thus direct its efforts to minimize these risks and uncertainties and to better avail of the opportunities (o the advantage of the organization.

---

### **5.5 APPROACHES TO PLANNING**

---

Managers adopt various approaches to planning based on the degree of participation delegation of authority and required capabilities of lower level managers.

#### **1. Top Down Approach**

Normally adopted in family managed organizations or by tradition or conservative managers in this approach authority and responsibility for planning is centralized at the top. The top management formulates basic policies determines corporate objectives makes strategies and devises a course of action for achieving the objectives. On preparation the plans are communicated to the managers at the lower level responsible for implementation. The managers at the lower level will have little say in planning but are involved only in implementation



The organization tends to be highly centralized because the managers at the higher level are more occupied with preparing plans and exercise final authority. Very little authority is delegated to the lower level managers that too in implementation of plans.

The top down approach is based on the assumption that the managers working at higher level are professionally qualified and well experienced. However it is found in practice that many organizations do adopt modified and more refined form of this approach either by getting lower level managers directly involved in the process or indirectly by seeking their suggestions and ideas. It is done to get the benefits of their involvement in execution.

## **2. Bottom up Approach**

Based on the assumption that in planning thinking are closely related and both functions can be performed by same managers a high degree of flexibility is maintained in planning in the bottom up approach

Accordingly rough draft or tentative proposals on various plans originate at the lower level and are communicated to the higher level managers for review and final approval. However it can be profitably used provided the managers at the implementation level have the requisite knowledge awareness and creativity to undertake planning the basic job of top executives is to unify and coordinate various sub plans originating from lower levels are not confined participative approach to planning managers at lower levels are not confined to implementation only but are equally involved in initiating plans.

In the words of Alwin Brown it is impossible to separate all the planning from the duty of doing Brown contented that planning is done most effectively by the managers who have to carry it through.

## **3. Composite Approach**

Combining the attributes of top do and bottom up approaches the composite is more popular here the top executives provide guidelines parameters and limitations under which middle and lower level managers are expected to formulate tentative plans which are communicated upwards for review and approval. The authority for making plans rests with the top executives.

The composite approach offers the advantages of top down ad bottom up approaches in s much as the managers at the action level are associated with thinking process of planning and their involvement in thinking is regulated by prescribed guidelines and parameters.

#### **4. Team Approach**

It is always advisable to have as many managers as possible to participate in planning the more active the managers are in planning the more enthusiastic they will be in carrying out plans. In the team approach the job of initiating plans is assigned to a team of managers from concerned areas. They do the spade work for preparing plans initiate planning identify need and importance of plans, examine and analyze both internal as well as external environment formulate tentative proposals which are submitted to the chief executive under whose command they have been working. The team of managers works as a brain of the chief executive suggesting and recommending proposal to him. However the ultimate authority for approval lies with the chief executive.

The team approach has practical utility especially when the task of preparing plans requires specialized knowledge of different areas.

In practice organizations use a combination of approaches as per requirements. Nonetheless it is evident that joint participation of subordinate managers in the planning process in any form is beneficial to the organization.

---

#### **5.6 MAJOR STEPS IN THE PROCESS OF PLANNING**

---

Although the steps in planning are presented here in connection with major programmes, such as the acquisition of a plant or a fleet of jets or the development of a product, managers would follow essentially the same steps in any thorough planning. Since minor plans are usually simpler, some of the steps would be more easily accomplished, but the practical steps listed below, and diagrammed in Figure 6.4 are of general application. In practice, however, managers must study the feasibility of possible courses of action at each stage. For example, in establishing objectives, it is necessary to have some idea about the premises underlying the plans. An ambitious objective of increasing sales by 200 per cent may be unrealistic in an environment with a projected economic recession. Similarly, feedback is also essential. In formulating supportive plans, there may be need to re-evaluate and change the overall objectives set earlier. Also, a discriminating manager obviously would not use Rs. 100 worth of time to make a decision worth 50 paise, but it is shocking to see 50 paise worth of time used to make a planning decision involving millions of rupees.

## **Being Aware of Opportunities**

Although it proceeds actual planning and is therefore not strictly a part of the planning process, an awareness of problems opportunities in the external environment as well as within the organization is the real starting point for planning. It is important to take a preliminary look at possible future opportunities and see them clearly and completely. All managers should know what problems they wish to solve and why, and know what they expect to gain. Setting realistic objectives depends on this awareness. Planning requires realistic diagnosis of the opportunity situation, (see Figure 6.4)

### **1. Identifying and Establishing Objectives**

The broader objectives need to be identified and stated in specific terms. These objectives relate to the organization as a whole and functional areas.

- Overall objectives suggest the type of activities and their necessary sequence.
- These objectives point out where these activities have to be carried out.
- They will also determine the personnel to whom the duties and responsibilities of the jobs connected with these activities are to be assigned.
- The objectives will also show the manner of doing the job, the methods and techniques employed for the accomplishment of the work.
- Objectives also pinpoint the timing, as to when job is to be completed which is the central element in every phase of planning. When all this done, it will be easier to check and evaluate the actual performance against the expected performance in the plan/Scheduled completion dates, qualitative standard specifications for output and budgeted cost for a project provide good examples of what the objective will cover.

### **2. Premising**

The second step is premising. This essentially involves critical assessment of the present status of the organization, that is, knowledge about the present activities being carried on by the organization and future outlook on activities to be planned and their possible effect on the total environment-internal external-existing activities or in other words, the expected environment of plans in operation.

This step requires the collection of data that will help the planner for his intelligent planning. The source for data availability will be past experiences, usages and practices of other companies, observation, company's records, data obtained from research and experiments,

Equiped with this data the planner will go ahead to find out the needs of the potential customers, dealers and individuals to be served.

As the developing situations demand, the manager will have to think aloud and come up with some creative and new ideas for product methods and services.

This step encompasses forecasting, that is, what will be the future trends of markets, competition, future sales potential, price trends, changes in demand range of products, developments in technology, cost of manufacture and other relative factors of finance-tax rates, policy, dividends, fiance involved in any industrial expansions, industrial structure - new plants, modifications or revision in existing plans, socio-economic and political environments.

We will come to a details discussion of forecasting, a little later.

### **3. Making Assumptions'**

In planning process this step has its own importance.

Assumptions all how the total environmental (internal and external) factors will behave, along with future facets in fact lead on to the development of the plan with the showing up of good, average and bad economic conditions.

### **4. Determining Alternative Courses**

This fourth step aims at searching, examining more promising - that hold most gainful possibilities, alternative courses of action from amongst the several alternative courses available.

### **5. Evaluating Alternative Courses**

Having determined promising alternative courses of action the next step is to evaluate them, weighing the various factors in light of promises and goals, with the help of mathematical models and computing techniques as offered by operations research, if necessary.

### **6. Selecting a course**

This step involves the selection of optimum - most desirable, courses of action.

In this step, the plan itself emerges and develops. Now the plan is reduced& can be writing which give to and rendered as a formal document. The plan is ready for operation.

## **7. Arranging Detailed Sequences and Setting Specific Targets**

For placing the plan in operation, its relations to all activities affected by it are worked out.

Where when by whom the necessary action as the plan envisages to achieve the objectives to take place is determined.

At this stage a plan may be called a budget schedule a routing or any other form of target.

## **8. Follow up review checking up the progress of plan**

This is the last step in planning and is concerned with the followup continual review check up and if necessary with the modification or revision of the initial plan in light of experience gained as the success of the plan will depend upon the results obtained i.e., its effectiveness in actual performances.

---

### **5.7 SUMMARY**

---

The planning function includes those managerial activities that result in predetermined courses of action. Planning necessarily focuses on the future and management's responsibility is to prepare the organization for the future. Planning requires managers to make decisions about objectives, actions, resources, implementation. These four factors are essentials to effective planning.

In the past, planning almost always was done entirely by top managers, by consultants, or by central planning departments. More modern approaches are the decentralized planning staff or an interdepartmental task force composed of live managers. Today's learning organisations are pushing decentralisation even further and involving workers at all levels in the planning process.

---

### **5.8 SELFASSESSMENT QUESTIONS**

---

1. Define Planning.
2. What is Planning ? Explain its characteristics.
3. What are planning premises ? Explain the classifications of planning premises.
4. Discuss the importance of planning. What should be done to overcome limitations ?
5. Explain the various approaches to planning with suitable examples.
6. Describe the steps involved in planning process.

---

## 5.9 REFERENCE

---

1. Davar. *The Management process*. Mumbai: Progressive Corporation Pvt. Ltd, 2010.
2. Harold Koontz. Heinze Weihrich. *Essentials of management*, New York: MacGraw-Hill, 1993
3. J S. Chandan. *Management Concepts and Strategies*, New Delhi: Vikas Publishing House Pvt Limited, 1997.
4. Chauhry Omvir, Prakash Singh. *Principles of Management*, New Delhi: New Age International Publishers, 2012.
5. Peter. Drucker. *Management of 21<sup>st</sup> Century*, New York: HarperBusiness, 2001.
6. Prasad L.M. *Principles of Management*, New Delhi: Sultan Chand & Sons, 2015.
7. Stoner J.A. and Freeman R.E. ***Management***, New Delhi: **Pearson Education India, 1995.**
8. Richard L. Daft. *Management*, Massachusetts, United States: Cengage Learning, 2013.
9. S.K. Mandal. *Management: Principles and Practice*, Mumbai: Jaico Publishing House, 2011.

---

## **UNIT - 6 : VARIOUS TYPES OF PLANS**

---

### **Structure**

- 6.0 Objectives
- 6.1 Introduction
- 6.2 Elements of Planning
- 6.3 Types of Plans
- 6.4 Corporate Planning
- 6.5 Strategic Planning
- 6.6 Operational Planning
- 6.7 Summary
- 6.8 Self Assessment Questions
- 6.9 Reference

---

## 6.0 OBJECTIVES

---

After studying this unit you should be able to ;

- Identify the various elements of planning
- Discuss the different types of plans Highlight the significance of each type of plan Describe the corporate planning Give inputs about the strategic planning Discuss the operational planning

---

## 6.2 ELEMENTS OF PLANNING

---

The planning function requires managers to make decisions about i'uur fundamental elements of plans.

1. Objectives
2. Actions
3. Resources
4. Implementation

**Objectives** are integrals to plans because specify future conditions that the planner deems satisfactory. For example the statement the firm objective is to achieve a 12 percent rate of return on invested capital by the end of 1990 refers to a future satisfactory condition.

**Actions** are the specified preferred means to achieve the objectives. The preferred course of action to lead to a 12 percent return might to be engage in a product development effort so that live new products are introduced in 1990.

**Resources** are constraints on the course of action for example the total cost to be incurred in the development of five new products must not exceed the world is filled with emotions.S 10 million. A plan should specify the kinds and amounts of resources required as well as the potential sources and allocations of thoseresources. Specifying resource onstraints also involves budgeting identifying the sources and levels of resources that can be committed to planned courses of action.

Finally, a plan must include ways and means to implement the intended actions. **Implementation** involves the assignment and direction of personnel to carry out the plan



Establishing objectives and prescribing actions also require forecasting the future. A manager cannot plan without explicit consideration of future events and contingencies that could affect what will be possible to accomplish.

Although the four elements of the planning functions are discussed separately they are in fact interwined. As will be seen objectives must be set according to what is possible given the forecast of the future and the budgets of resources. Moreover availability of resources can be affected by the very actions that management plans. In the previous example if a 12 percent return is not achieved \$ 10 million may not be available because stockholders bond holders or other sources of capital will not invest the funds. Then other action may not be feasible.

In some organizations planning is the combined effort of managers and staffpersonnel. In other organization planning is done by the top management group in still others it is done by one,individual, Planning activities can range from complex formal procedures to simple and informal ones. Although the form of planning activities.

Objectives or goals may be described as the ends towards which group activities in any enterprise are aimed. They do not only represent the consumption of planning but the end towards which the management functions of organizing staffing directing coordinating controlling etc are aimed.

It is essential that before taking any course of action the objectives must be clearly determined well understood and sufficiently defined well defined objectives and goals lead to continuous growth and progress. They must also be realistic and reachable.

Objectives form the very core of the management processes without establishing specified objectives we get no sense of direction and reach nowhere aimless efforts simply go waste.

---

### **6.3 TYPES OF PLANS**

---

Simply defined a policy is a verbal written or implied basic guide that provides direction to a manager for action.

What policies achieve ?

Policies acting as principles thereby provide rules of action for achieving organizations specific objectives (goals).

The co-ordinating links in the organization are provided by policies. They govern and guide the actions of an organizations overall performance and its objectives. These provide him board guidelines for the achievement of company's objectives.

While planning a course of action of policies is indispensable. The policies of enterprises render purposive ness to the objectives.

With the guidelines as provided by the policies goal becomes clearer and more realistic.

Policies are essential to foster co ordination so essential for effective group working in short policy is an excellent means to achieve an intended objective.

### **Types of policies**

There are many kinds' o types of policies. Classifications of policies in a particular enterprises will depend on purpose use subject extent of influence whether verbal or written.

*Types of policies generally in vogue in a typical enterprise are :*

#### **1. Basic Policy**

This is comprehensive in its scope and permeates throughout the organization. Basic policy formulation is the responsibility of the management at the highest say for example Board of Directors in case of an incorporated company.

The basic policy is further split up into departmental divisions and sectional parts of the organization for implementation under the overall supervision of the top management .Within the ambit of basic policy comes marketing policy with all its emphasis on the customer.

#### **2. General Policy**

This is more specific type of policy brought in application by middle level managers. Purchasing policy comes within the scope of application of general policy and it is concerned with giving preference to local suppliers.

#### **3. Departmental policy**

This is the most specific type of policy with its applicability confined to routine activities in the department. Its use is made by first level managers, such as supervisors.

#### **4. Advantages of Policies**

Policies help considerably in the overall development of those who apply them. Policies encourage the development of sound judgment

The use of policies tends to bring about a better understanding and knowledge of what is trying to be accomplished.

## **5. Characteristics of a Sound Policy**

Sound policies by their very nature should be comprehensive in their scope flexible in their implementations and excellent guides.

A sound policy must ensure that there exists good understanding and harmony between the departmental or sectional policies and the main (corporate) policy. A policy must be uniform in its application. A sound policy must breathe equity and justice fairness to one and all affected by it.

Sound policies must be based on facts and sound judgement Policies to be sound must reflect the intended objectives.

Policies to be effective in their implementation should be clear define positive unambiguous consistent and well communicated and should be clearly understandable to those affected by their decision. As far as possible policies to be sound should be stated in writing Non written (verbal) or implied policies carry on effective voice sometimes sound policies to obtain acceptance as guides must be reasonable permanent and stable/

A sound policy during the course of its implementation requires periodic check ups to find out how it has worked and does it necessitate any modification or altogether revision of it.

In a sound policy formulation all possible contingencies should be anticipated so that the organization may not be taken by surprise by the course of events.

A policy to be sound should never be conceived hastily.

## **Procedures**

Procedures are also plans in as much as they involve a course of action and clarify how action is to be carried out in practice to achieve an organization objectives as stated in the policies.

The procedures provide a sequence of actions directed at a single goal(usually short term) of a repetitive nature eg procedure for recruiting employees for purchasing materials or for preparation and dispatch of invoices to customers.

Perhaps a good example of a procedure that can be cited is that adopted in the systematic selection of employees involving following steps.

1. Preliminary interview
2. Application blank
3. Reference check
5. Final interview
6. Supervisors approval and acceptance
7. Medical check up
8. Appointment and
9. Induction or orientation

## **5. Methods**

One of the most supporting means of an action is a method

A method is also categorized as a standing plan more specific in scope than a procedure.

Methods may better be termed as work plans since they provide the manner and the proper order keeping in full view the objective facilities available total time expense and effort involved with other details for performing the individual tasks in particular assignments.

Standard methods contribute to the efficiency in working and considerably experience knowledge and skill and his creative ability all this considerably matter in the solution of a problem in methods.

In practice methods are generally used in manufacturing and office work. However they do work with success in the area of marketing planning also.

Management are quite prone to bring improvement in methods. Their efforts are constantly directed to find out how best manual methods can be improved by mechanical devices to bring about efficiency economy and resultant increase in the output of an employee.

## **6. Rules**

Rules reckon with the simple and most specific type of standing plans they are characterized by rigidity and being more specific than a policy.

A rule demands whether a specific and definite action be taken or not taken with respect to a situation so to say a rule guides action.

The observance of the rules does not permit any lenience to come in the way of their application. Generally we find No Smoking signs and boards prominently displayed in the factories particularly those dealing with inflammable materials. This is a good example of the rule which the management insist the workers to strictly observe.

A budget is also essentially a plan expressed in qualitative terms. This is the numerical expression of the anticipated results. The anticipated results may be expressed in financial terms or non financial (monetary) terms ie in terms of a quantity to be produced material to be used number of hours to be worked and quantity to be sold.

Like any other plans budget are flexible realistic and operate within a framework.

Budgets are drawn on the basis of well defined specific plans and policies.

Plans and policies are formulated on the basis of corporate business enterprises and forecast of market trends supply factor and consumer preferences.

Within the corporate budget or plan as set up by a company are covered sales budget, advertising budget sales promotion budget production budget materials budget costs budget personnel budget equipment budget and profit budget.

Budgets serve a good purpose as a tool for planning and control. Top management in an enterprises makes use of budgets in appraising the performance of divisions and departments operating within the enterprise and also in assessing the overall performance of the enterprise.

A budget is distinguishable from other plans in the following respects.

- I. A budget serves two purposes. It is a tool for planning as well as a controlling device.
- II. A budget covers a specific period for example the business or financial year as is generally the case of course we may have quarterly or monthly budgets also and finally.
- III. Budgets are expressed in financial terms as most values are expressed in monetary terms.

Budgets obtain better planning and improved co ordination, they also ensure efficient control through establishment of standards.

## **8. Programmes**

Programmes being specific and comprehensive come within single use plans.

Essentially programmes show the way and lay down procedure for activities to take place within time limit for accomplishing the stated objectives.

A programme usually involves necessary financial and operating budgets and other resources needed in the accomplishment of objectives.

The constituents of a programme include: objectives (goals), policies, procedures, rules, methods and resources to be made use of for obtaining the objectives.

### **Characteristics Features of Programmes**

1. These are single use plans quite comprehensive in their nature
2. These lay down procedure serve as leads to guide activities essential in reaching the assigned goals in a proper order.
3. Programmes work with a systematic approach. They make things happen in a systematic and unified manner.
4. Programmes enable management to anticipate and well prepare themselves ahead, to meet any future contingencies or difficult situations.

---

## **6.4 CORPORATE PLANNING**

---

Planning activity can be undertaken at various levels of the organization. It may cover the whole organization or part of it. When planning is undertaken at the organization level it is referred to as corporate planning. In management literature sometimes even corporate planning strategic planning long range planning and strategic management are used interchangeable-because of the similar objectives of all these. However some distinction exists among them at least at conceptual level. There are some people who use corporate planning as synonymous to total management process for example Hussey has defined corporate planning as follows.

Corporate planning includes the setting of objectives .organizing the work people and systems to enable those objectives to be attained, motivating through the planning process and through the plans measuring performance and so controlling progress of the plan and developing people through better decision making clears objectives more involvement and awareness of progress.)

This definition of corporate planning is quite broad and may cover many management functions not necessarily related to planning aspect of management functions. For example planning sets further course of action and its implementation is not strictly the planning function. Therefore the concept of corporate planning should

be taken as the total planning activities in the organization and not the total management functions.

Similarly corporate planning is used as long range planning because longrange planning emphasis the future orientation of the process. However there is growing opinion which disfavors the use of long range planning as synonymous with corporate planning because it underemphasizes the comprehensive nature of corporate planning. The process of corporate planning is concerned with all aspects and not only the long range. Although the future of orientation is certainly the most important argument in favour of the process long range planning without the back up of short range planning will fail. Difference between corporate planning and long range planning can be understood by classifying the more comprehensive corporate planning further into segments. Normally corporate planning is divided into strategic planning or long rang planning and operational tactical or short range planning.

---

## **6.5 STRATEGIC PLANNING**

---

Planning is concerned with future. Thus a plan process must involve different degree of futurity. Some parts of the organization require planning for many years into the future while others requires planning over a short period only. For example capital expenditure is more of long term nature while budget for ayear has short term orientation. The former is called strategic planning or longrange planning. Strategic planning has been defined by Anthony as follows.

Strategic planning is the process of deciding on objectives of organization on changes on these objectives on the resources used for attain these objectives and on the policies that are to govern the acquisition use and disposition of these resources.

Examples of strategic planning in an organization may be planned growth rate in sales diversification of business into new lines type of products to be offered and so on. This way strategic planning encompasses all the functional areas of business and is affected within the existing and long term frame work of economic political technological and social factors Strategic planning also involves the analysis of various environmental factors particularly with respect to how organization relates to its environment.

A basic problem in strategic planning is the period for which plan is to be formulated. Normally more than one year period is considered to be a long one. Usually for most of the organizations it ranges between 3 and 5 years. However there should

be some logic in selecting the right time range for planning. In general since planning and forecasting that underlies it are costly and organization should not plan for a longer period than is economically justifiable yet it is risky to plan for a shorter period. The choice of period lies in the commitment principle which suggests that logical planning encompasses a period of time in the future necessary foresee as well as possible the fulfillment of commitments involved in decision made today. What the commitment principle implies is that long range planning is not really planning for future decisions but rather planning for the future impact of today's decision. In other similar things therefore the most striking application of planning period would be the setting up of time period long enough to anticipate the recovery of costs sunk in the course of action.

---

## **6.6 OPERATIONAL PLANNING**

---

Operational planning also known as tactical or short term planning usually covers one year or so. It is aimed at sustaining the organization in its production and distribution of current products or services to the existing markets. Operational planning can be defined as follows.

Operational planning is the process of deciding the most effective use of the resources already allocated and to develop a control mechanism to assure effective implementation of the actions so that organizational objectives are achieved.

Operational planning taken in this way answers the questions about a particular functions as follows :

1. Why is the action required?
2. What action is to be taken?
3. What will the action accomplish?
4. What are the results of the action required?
5. What objectives and conditions must be met?

Operational planning is undertaken out of the strategic planning. The various examples of operational planning may be adjustment of production within given capacity, increasing the efficiency of operating activities through analysing past performance, budgeting future costs, programming the comprehensive and specific details of future short term operations and so on.



---

## **6.7 SUMMARY**

---

Objectives are statements of future conditions that, if realized are deemed satisfactory or optimal by the planner. To be useful in planning, objectives should be stated in measurable terms and should relate to significant organizational performance determinants. Courses of action to achieve objectives must be specified. Various types of plans such as strategies and tactics refer to planned courses of action. Resource requirements of a plan must be forecast and specified by budgets. The fourth part of planning is implementation, a phase that takes account of the fact that plans usually are carried out by other people. Also, there are three approaches to implementation are authority, persuasion and policy. These approaches can be used individually or in combination.

---

## **6.8 SELF ASSESSMENT QUESTIONS**

---

1. What are the elements of planning ?
2. Define objectives. Explain the criteria of sound objectives.
3. Discuss briefly the various types of plans and classify them based on long term and short term.
4. What do you understand by the term policy ? Explain the different types of policies and describe how policies are formulated.
5. Distinguish between the terms 'Strategy' and 'Policy'. Identify some of the issues on which a policy is to be laid down in the area of finance.
6. Explain the difference between policy and procedure.
7. Write a note on :
  - a) Corporate planning
  - b) Strategic planning
  - c) Operational planning

---

## 6.9 REFERENCE

---

1. Davar. *The Management process*. Mumbai: Progressive Corporation Pvt. Ltd, 2010.
2. Harold Koontz. Heinze Weihrich. *Essentials of management*, New York: MacGraw-Hill, 1993
3. J S. Chandan. *Management Concepts and Strategies*, New Delhi: Vikas Publishing House PvtLimited, 1997.
4. Chauhry Omvir, Prakash Singh. *Principles of Management*, New Delhi: New Age International Publishers, 2012.
5. Peter. Drucker. *Management of 21<sup>st</sup> Century*, New York: HarperBusiness, 2001.
6. Prasad L.M. *Principles of Management*, New Delhi: Sultan Chand & Sons, 2015.
7. Stoner J.A. and Freeman R.E. ***Management***, New Delhi: **Pearson Education India, 1995.**
8. Richard L. Daft. *Management*, Massachusetts, United States: Cengage Learning, 2013.
9. S.K. Mandal. *Management: Principles and Practice*, Mumbai: Jaico Publishing House, 2011.

---

## **UNIT - 7 : MANAGEMENT BY OBJECTIVES STRUCTURE**

---

### **Structure**

- 7.0 Objectives
- 7.1 Introduction
- 7.2 Meaning and Definition of MBO
- 7.3 Process of MBO
- 7.4 Benefits of MBO
- 7.5 Drawbacks of MBO
- 7.6 Summary
- 7.7 Self Assessment Questions
- 7.8 References

---

## 7.0 OBJECTIVES

---

After studying this unit, you should be able to ;

- Assess the meaning of MBO
- Discuss the process of MBO
- Highlight the elements of MBO
- Assess the drawbacks of MBO

---

## 7.1 INTRODUCTION

---

The ideas that led to MBO were contributed by **Donaldson Brown** and **Alfred Sloan** 1920s and **Edward Hagenin** in 1930s.

**Peter Drucker** a noted management writer introduced the term MBO in 1954. the use of this term was first made by Drucker in his book Practice of management in the same year. This book had a chapter in Objectives of a business in which objectives of performance and results have to get be set. How the objectives to be set he explained these objectives as set after all become the standard of evaluation or the results expected.

Management by objectives (MBO) has gained immense popularity during the past two or three decades. The growing literature and increasing practice in organizations in different countries confirm this. In India also many managers have learnt about MBO and have applied it in their organizations. In many organizations MBO has become the way of management process.

### **Concept and features of MBO**

MBO is both a philosophy and approach of management It is a process where by superiors and subordinates assess the contribution of each individual and integrate individuals with the organization so as to make best use of organizational resources. Thus MBO is a system for integrating managerial activities. For example Koontz and others have defined MBO as follows.

MBO is a comprehensive managerial system that integrates many key managerial activities in a systematic manner consciously directed towards the effective and efficient achievement of organizational objectives.

---

## 7.2 MEANING AND DEFINITION OF MANAGEMENT BY OBJECTIVES

---

The integration of individual and organizational objectives through MBO has been emphasized by Chakravarty when he has defined MBO as follows.

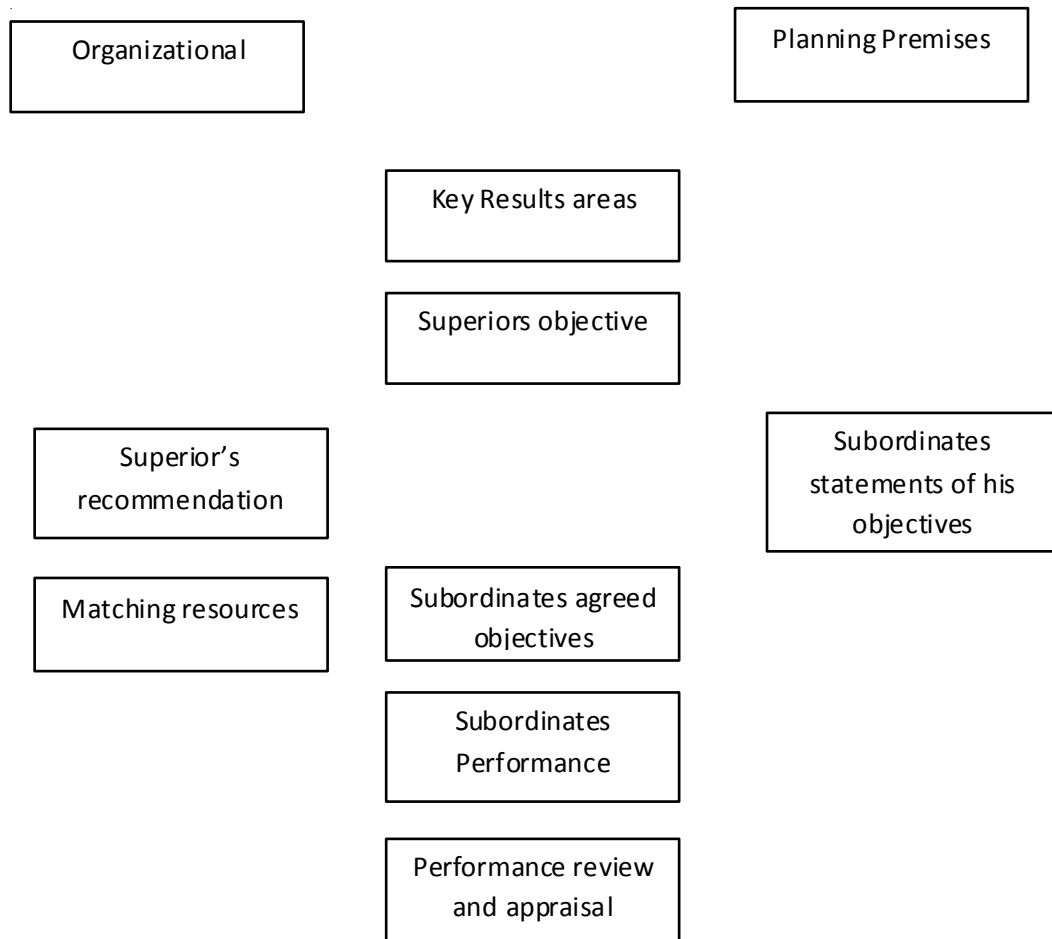
MBO is a result centered non specialist operational managerial process for the effective utilisation of materials physical and human resources of the organization by integrating the individual with the organization and organization with the environment N.

---

## 7.3 PROCESS OF MBO

---

MBO is a system for achieving organizational objectives enhancement of employee commitment and participation Therefore its process should facilitate.



Translation of basic concepts into management practice. The MBO process is characterized by the emphasis on the rigorous analysis, the clarity and balance of objectives and participation of the managers with accountability for results. The MBO process is not as simple as it appears to be. Managers need training and experience for developing the required skills. The process has many nuances which can be understood from fig 7.2 and its explanation fig 7.2 suggests the following steps in MBO process.

### **1. Setting of organizational purpose and objectives :**

The first basic step in MBO is the definition of organizational purpose and objectives. Questions such as why does the organization exist. What business are we in and what should be our business provide guidelines for the statement of purpose. This in interaction with external factors then determines the long range strategic objectives like (i) whether to achieve growth through expansion in the same line of business or diversity (ii) what should be the degree of vertical integration and so on. usually the objectives setting starts at the top level of the organization and moves downward to the lowest managerial levels. This will go in a sequence like this (i) defining the purpose of organization (ii) long range and strategic objectives (iii) short term organizational objectives (iv) divisional/departmental/ sectional objectives (v) individual managers objectives

### **2. Key results Areas :**

Organizational objectives and planning premises together provide the basis for the identification of key result area (KRAs) it may be emphasized that KRAs are derived from the expectations of the various stakeholders and indicate the priorities for organizational performances. KRAs also indicate the present state of an organization's health and the top management perspective for the future. Examples KRAs applicable to most of the business organizations are (i) Profitability (ii) market standing (iii) innovation (iv) productivity (v) worker performance (vi) financial and physical resources (vii) manager performance and (viii) public responsibility, Madura Coasts Limited which has successfully installed MBO defined its KRAs during 1978-1979 as follows, (i) Financial resources (ii) profitability (iii) *development of organization* (iv) *management development* (v) labour relations (vi) diversification and (vii) cotton development. Even though KRAs are more durable the list of KRAs gets considerably changed over the period in response to new needs and opportunities sometimes the achievement in a particular KRA also provides the impetus for a new KRA in future.

For example when Madhura coats achieved its objectives of diversification it did not remain this KRA for the subsequent period.

### **3. Setting Subordinates :**

Objectives the organizational objectives are achieved through individuals therefore each individuals manager must know in advance what he is expected to achieve. Every manager in he managerial hierarchy ks-both superior and subordinate except the person at the top level and lowest level, therefore there is a series of superior and subordinates relationships^ The process of objectives setting begins with superiors proposed recommendations for his subordinates objectives in turn the subordinates states his own objectives as perceived by him. Thereafter the final objectives for the subordinate are set by the mutual negotiation between superior and subordinate. In the beginning of MBO process in an organization there may be wide gap between the recommended objectives by the superior and subordinates stated objectives because the latter may like tp put lesser burden on him by setting easily achievable objectives. However with he experience gained over the period of time this gap narrows because of narrowing down of the perception of superior and subordinate about what can be done at a particular level.

### **4. Matching resource with objectives :**

When objectives are set carefully they also indicate the resource requirement in fact resource availability becomes an important aspect of objective setting because. Therefore there should be matching between objectives and resources/By relating these to objectives a superior manager is better able to see the need and economy should be done in consultation with the subordinates manager.

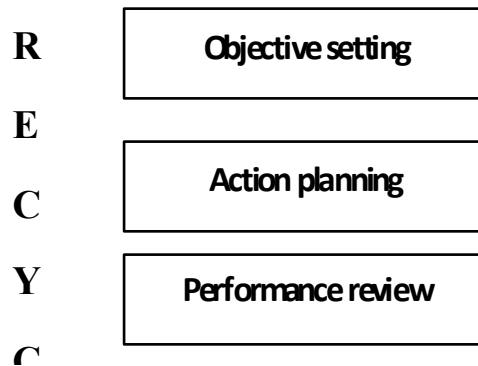
### **5. Appraisal :**

Appraisal aspect of MBO tries to measure whether the subordinates is achieving his objective or not. If not what are the problems and how these problems can be overcome. Appraisal is undertaken as an on going process with a view to find out deficiency in the working and also to remove it promptly. It is not taken as a matter of system to ensure that everything is going as planned and the organization is able to achieve its objectives

### **6. Recycling :**

Though appraisal is the last aspect of MBO process it is used as an input for recycling objectives and other actions. Objectives are neither set at the top and

communicated to the bottom nor are they set at the bottom and go up. Objective setting is a joint process through interaction between superior and subordinate. Therefore what happens at each level may affect other levels also. The outcome of appraisal at one level is recycled to see if the objectives have been set properly at the level concerned and also at the next higher level. This can be presented in fig 7.3



The three aspects involved in recycling process include setting of objectives at various action planning in the context of those objectives and performance review. Each of these aspects gives for others. For example objectives give basis for action planning which in turn gives basis for performance review and performance review gives for objective setting and action planning this process goes on a continuous basis.

---

## 7.4 BENEFITS OF MBO

---

### (a) *Benefits for the enterprise*

1. MBO represents one of the approaches to organization development and its effectiveness which results in much improved managing and increased profitability.
2. MBO lays great emphasis on the development and utilization of human resources.
3. It facilitates the enterprise ability to change. Organizational changes get a pick up through MBO Further it provides a framework and guidelines for planned changes. It shows the way to initiate plan direct and control the direction and speed of changes.

It may however be noted that MBO works best when it is properly implemented.

4. Problem areas of management including structures strategies and practices are well identified by MBO.



It concentrates its attention energy and effort on these key areas in an organization.

5. MBO renders planning more specific and purposeful. Similarly it helps develop effective controls in an organization like establishment of specific standards of control which greatly facilitate self control.
6. It is MBO that adds clarifications to the objectives and focuses managers efforts towards their achievement.
7. MBO helps bringing about coordination and co operation in the enterprises efforts by highlighting interdependence and improving communication
8. MBO works so effectively in helping manage centralized operations laying emphasis on delegation of authority process.
9. MBO is all pervading in an organization no doubt evaluation is rendered easy in manufacturing when compared with some service functions but the basic idea as enunciated by MBO is applicable in any part of the organization
10. MBO being flexible in its nature degree of its implementations can be made use by management in any manner for achievement of organization objectives.
11. MBO being not a complex system is easily and clearly understood and can be adopted and applied without much external help that of a consultant or a specialist.
12. The data as generated by MBO provides objective appraisal of managers performance and helps identifying promotable managers and also rewarding them.
13. Clarification of results that will best serve the enterprises is another useful benefit of MBO.
14. Voluntary commitments for [performance by the employees in an organization come forth as a result of MBO involvement.

*(b) Benefits of Superiors*

1. MBO while providing participative atmosphere helps the superior coaching the subordinates.
2. MBO pinpoints on setting standards for evaluating performance with the result that guess methods and other vague performance tools are rendered obsolete.
3. MBO stimulates motivating subordinates to give better performance by communicating themselves to achieve a set of results agreed through participation helped by initiative of delegation provided by the superior.

*(c) Benefits for employees (including lower level managers)*

1. MBO enhances employee job satisfaction
2. While setting goals for individual it makes clear what is expected for the employees
3. It provides measurable objectives that the employee is expected to achieve.

---

## **7.5 DRAWBACKS IN MBO**

---

Whereas MBO promises a number of benefits or advantages as we have already examined it has many drawbacks too. Some of these are in the system itself and others are in its application. Amongst these include the following.

### **The Puzzle Details**

Howsoever simple MBO may apparently seem to be still details involved in this system like what it constitutes of how it operates its underlying purpose how far it is going to be effective in measuring managerial performances? What gains to the enterprises to the superiors and subordinates it ultimately holds remain all a puzzle to the managers who have to practice it. Managers need to study all this thoroughly and well and have a clear understanding of the various activities connected with its application and working.

### **Lack in Direction and Guidance to Goal Setters**

Goal setting forms the very nucleus of MBO. For any lack or insufficiency of direction and guidance to the personnel who are supposed to involve themselves in goal setting no MBO plans can work.

MBO plans work best where the persons involved in goal setting are able to have a clear perception and a correct understanding of core relationship between company's policies and their area of operation of course being quite awake and keeping in full view the nature of objectives and programmes with which their goals are so intimately connected.

### **Problems in Goal Setting**

Setting realistic and true goals always remains a problem particularly when they are a pinch of time period say quarterly halfyearly or yearly.

### **Snag in Short term**

Short term goal setting in every system of operating is a common feature in MBO. They seldom stretch to more than a year usually quarterly and even less. Short run goals may not sometimes prove to be efficacious in achieving the objectives.

### **Hazardous Inflexibility**

Flexibility is the essence of MBO sometimes however it so happens that managers do not favour rather hesitate to bring about any change in objectives and they remain struck up to objectives one determined for the period.

---

## **7.6 SUMMARY**

---

MBO is future oriented in its various aspects objective setting, action planning, performance reviews and the lives. It demands for the reviews of time spent in planning of corrective action, for the achievement of objectives. As we have learnt, part experience may not prove to be of much helpful in guidance for future situations and activities, hence it stresses the need for development of some new and more effective methodology for dealing with problems, and more effective methodology for dealing with problems, which are identifiable. MBO ideology gives scope for participation of employees at all levels in framing the action plan to achieve objectives of the organisation. MBO believes in bringing changes and will always remain a challenge to the business strategies, business systems and procedures.

---

## **7.7 SELF ASSESSMENT QUESTIONS**

---

1. What is MBO?
2. Explain the meaning and objectives of MBO.
3. Discuss the process of MBO in detail.
4. Identify the various factors that are prominent in MBO.
5. Describe few drawbacks of MBO.

---

## 7.8 REFERENCE

---

1. Davar. *The Management process*. Mumbai: Progressive Corporation Pvt. Ltd, 2010.
2. Harold Koontz. Heinze Weihrich. *Essentials of management*, New York: MacGraw-Hill, 1993
3. J S. Chandan. *Management Concepts and Strategies*, New Delhi: Vikas Publishing House Pvt Limited, 1997.
4. Chauhry Omvir, Prakash Singh. *Principles of Management*, New Delhi: New Age International Publishers, 2012.
5. Peter. Drucker. *Management of 21<sup>st</sup> Century*, New York: HarperBusiness, 2001.
6. Prasad L.M. *Principles of Management*, New Delhi: Sultan Chand & Sons, 2015.
7. Stoner J.A. and Freeman R.E. ***Management, New Delhi: Pearson Education India, 1995.***
8. Richard L. Daft. *Management*, Massachusetts, United States: Cengage Learning, 2013.
9. S.K. Mandal. *Management: Principles and Practice*, Mumbai: Jaico Publishing House, 2011.

---

## **UNIT - 8 : DECISION-MAKING**

---

### **Structure**

- 8.0 Objectives
- 8.1 Introduction
- 8.2 Meaning and Definition
- 8.3 Important Elements in Decision-Making
- 8.4 Decision-Making Process
- 8.5 Individual Vs Group Decision-Making
- 8.6 Types of Decision-Making
- 8.7 Techniques of Decision-Making
- 8.8 Modern Techniques of Decision - Making
- 8.9 Summary
- 8.10 Self Assessment Questions
- 8.11 Reference

---

## **8.0 OBJECTIVES**

---

After studying this unit, you should be able to ;

- Discuss the meaning of decision making –
- Explain the Process of decision making
- Highlight the critical elements involved in the process of decision making
- Assess the types of decision making
- Discuss the techniques of decision making

---

## **8.1 INTRODUCTION TO DECISION-MAKING**

---

Managers at all levels make decision. These decisions may ultimately influence the survival of the organization. All decisions, however, will have some influence - large and small - on performances. Thus, it is important for managers to develop decision-making skills. Like it or not, managers are evaluated and rewarded on the basis of imp.winnce, number, and results of their decisions. The quality of decisions that managers reach is the yardstick of their effectiveness and of their value to the organizations. Thus, decision-making is an important managerial activity, and a central point of the managing process. Decisions are made by every manager though its significance and coverage depends on the situation, problem and hierarchy. Indeed, the managers manage by making decisions and getting them implemented. It is a regular exercise on the part of manager. He makes decisions for solving problems, handling the situation and resolving crises. By making decisions the manager translates various plans such as objective, policy and strategy, etc., into action. These actions are converted into outcome or results by implementing decisions.

Decisions are made on managerial functions like planning, organizing staffing, controlling and other matters related to various functional areas such as production, marketing, finance and personnel, etc. Decision-making involves many stages. The success or failure of an organization depends on the quality of decisions. If the managers make untimely and incorrect decisions on important matters, it may endanger the existence of the organization.

---

## 8.2 MEANING AND DEFINITION OF DECISION-MAKING

---

Decision making is a managerial process involving selection of a particular course of action out of alternatives for achieving given objectives or solving a problem. It takes place only when more than one option is available to the manager. By taking a decision, a manager attempts to reduce the gap between the present and the desired situation. A few important definitions are :

### **Decision-making defined :**

“Management decision-making a work the manager performs to arrive at a conclusion and judgement.”

**- Alien**

“Decision-making is a conscious and human process of indentifying and choosing alternative courses of action in a manner appropriate to the demand of the situation. The act of choosing implies that alternative courses of action must be weighted and weeded out.”

**- Kreitner**

“Decision-making is a conscious and human process involving both individual and social phenomenon based upon factual and value premises which concludes with a choice of one behavioural activity from among one or more alternatives with the intention of moving towards some desired state of affairs.”

**- Shull, Delberg and Gunning**

“Broadly, decision-making involves making an organization committed to adoption of a specific course of action and use of resources in a particular manner. To identify the basic nature of decision-making, George Terry has treated managerial life as “a perpetual decision-making challenge.”

“It is a process of a solution selected after examining several alternatives chosen because the decider foresees that the course of action he elects will do more than the others to further his goals and will be accompanied by the rewest possible objectionable consequences.”

**- Manley H. Jones**

According to Peter Drucker: “Whatever a manager does, he does through decision-making.” In every situation, a manager faces a challenge of making correct, timely and effective decisions to get the best out of the situation. All decisions made by managers

are directed at making the organization a functional and productive unit, preserve its identity and maintain continuity in its working life.

### **Decision-making Defined**

Decision-making can be defined as an act of choice by the manager from among two or more possible alternative courses in a given situation.

There are two important factors in the process of decision-making, viz., the underlying purpose and the circumstances in which the decision is made.

### **Aims and Objectives of Decisions**

The main objective a decision serves in helping to reach optimum and most desired result.

As discussed earlier also, in the beginning of this chapter, there is no process of management, be it, planning, organizing, actuating or controlling, where decisions do not reign supreme. If there is anything that moves these fundamental functions of management to action, it is decision.

There is not other such cohesive force in impelling creating a meeting point and the resolution of conflicts as that of decisions. Successful decisions sometimes work a miracle in bringing about the resolution of conflicts in varied and numerous types of matters, situations and events. To name a few include, resolutions of conflict between subtle realities and beliefs; different thinking in terms of experience and practice; differing attitudes of broad-mindedness and narrow-mindedness; old and new concepts; gain or loss of a chance and the more important are those conflicts that crop in between the decision-maker and those who have to abide by the decision.

### **Main Characteristics of decision-making**

- i. Decision-making is a human and social process implying interference of individual as well as social factors. An intelligent manager will always take into account social and human implications of a decision.
- ii. Decision-making is an integral part of planning. Every planner has to make a choice of appropriate solutions or alternatives in a situation of availability of options.
- iii. Decision-making involves judgement and discretion of the decision-maker. It is not entirely a rational process because decisions are bound to be affected and coloured by personal likes, dislikes and whims of the manager.



- iv. Decision-making aims at choosing a suitable course of action by weighing and weeding out several available alternatives.
- v. Decisions made by the managers involves commitment of the organization for adopting a specific course of action and utilizing resources in a particular manner.
- vi. Decisions are made by managers for solving problems, resolving crises and conflicts and tackling various situations.
- vii. Decision-making is a purposive activity because it is directed towards the achievement of goals and objectives.
- viii. Decision-making requires giving freedom to the managers for making use of their experience, skill and judgement. This is the reason why policies, which are a guide to decision-making, are made flexible.
- ix. The decision made by the managers may have a negative effect fro a short period of time. For example, retrenchment, demotion, dismissal of employees, reduction in scale of operation, introduction of change, closing down of some units, withdrawing products from the market, etc.

### **Pervasiveness of decision-making**

The manager manages by making decisions and getting them implemented. The effectiveness of decision-making and quality of decisions depend upon a manager's skill, judgement competence and ability.

In the managerial set up of organization the required structural and administrative arrangements are made for delegating the authority to lower level managers as to authorize them for making decisions. Thus, Decision-making is not only at the core of planning but an integral part of managerial activity. The top executives make decisions only on basic and major issues and matters which are directly concerned with survival, profitability and growth of organization. For handling the matters arising out of day-to-day operations the lower level managers are granted authority to decide upon those matters. Besides delegation of authority, other administrative arrangements are also made including installation of information system, formulation of basic policies, training of subordinate managers for developing required abilities and creating proper conducive internal environment in organization which facilitates decentralized decision-making.

### **Importance of Decision-making**

Decisions are required to be made regarding various elements of management and matters involved therein such as determination of organizational goals and other

plans, designing the structure of organization, devising controlling techniques, providing effective leadership, scheduling network of communication, designing motivational systems. The managers have also to decide upon various issues related to functional areas like, production, distribution finance, personnel and purchase, etc. Thus, it runs through the entire process of management and all sub-systems of organization. In organization resources can be mobilized and utilized in the direction of achieving desired goals only by making decisions and getting them implemented. In the light of primacy and pervasiveness of decision-making activity in the organizational functioning and its management it seems to be desirable for the manager to make quality decisions timely as the situation demands. Apart from maintaining proper balance between timeliness and quality of decisions, human needs and social implications of decisions should also be taken into account at the time of making decisions.

---

### **8.3 IMPORTANT ELEMENTS IN DECISION-MAKING**

---

Institution, Facts, Experience and Authority are widely accepted fundamental elements in decision-making.

All these elements in varying degrees, depending upon the nature of the problem and that of the decision-making find place as basis for decision-making.

#### **Intuition**

Decision-making with an element of intuition as its basis, is generally the offspring of the 'inner feelings' of the decision-maker because it is without any conscious attention, or reasoning and concentration, etc., to the issues involved in the problem.

In such a type of decision-making, the things often influence the decision-maker in reaching decisions are: Suggestions, influences, preferences and the decision-maker's own psychological bent of mind as a result of his unconscious thinking of his past knowledge and experiences.

The element of intuition as a basis of decision-making is useful in view of time expediency and making purposeful use of decision-making ability.

Possible drawbacks in the element of intuition are that the intuition and hunches on which the decision-making is based may not bring about correct decisions. Secondly, the decision-maker may not take notice or even altogether ignore other basis for decision-making.

The element of facts, as basis for decision-making supported as it is with factual data having relevancy to the given situation has been recognized as the most methodical, efficient, and effective basis for reaching decisions.

However, before making use of the element of facts as basis for decision-making, there is an important pre-condition that the given facts should be well analysed, classified and interpreted.

### **Experience**

The element of experience' as a basis for decision-making is very important. Past experience of the decision-maker, indicative of decisions made in particular situations, varied types of people involved, and general areas affected by the decisions, weighs considerably with the decision-maker and helps him in reaching accurate decisions.

### **Authority**

There exists a co-relationship between authority and decision-making.

In the managerial functional parlance, authority means the power to make decisions and to see that they are carried out.

The very fact that decisions as made are acceptable to the company, this lends authority to the decision-maker.

Decisions made involving the element of authority as basis for decision-making also include, those reached essentially in accordance with company's policies and with the general instructions as followed by the decision-maker.

Amongst the various advantages of decision-making with element of authority as basis, those important include:

### **Ready Accessibility**

For obvious reasons that the decision-maker is invested with an authority to make decisions and these decisions coming from him lend their ready acceptability to the company.

### **Authenticity**

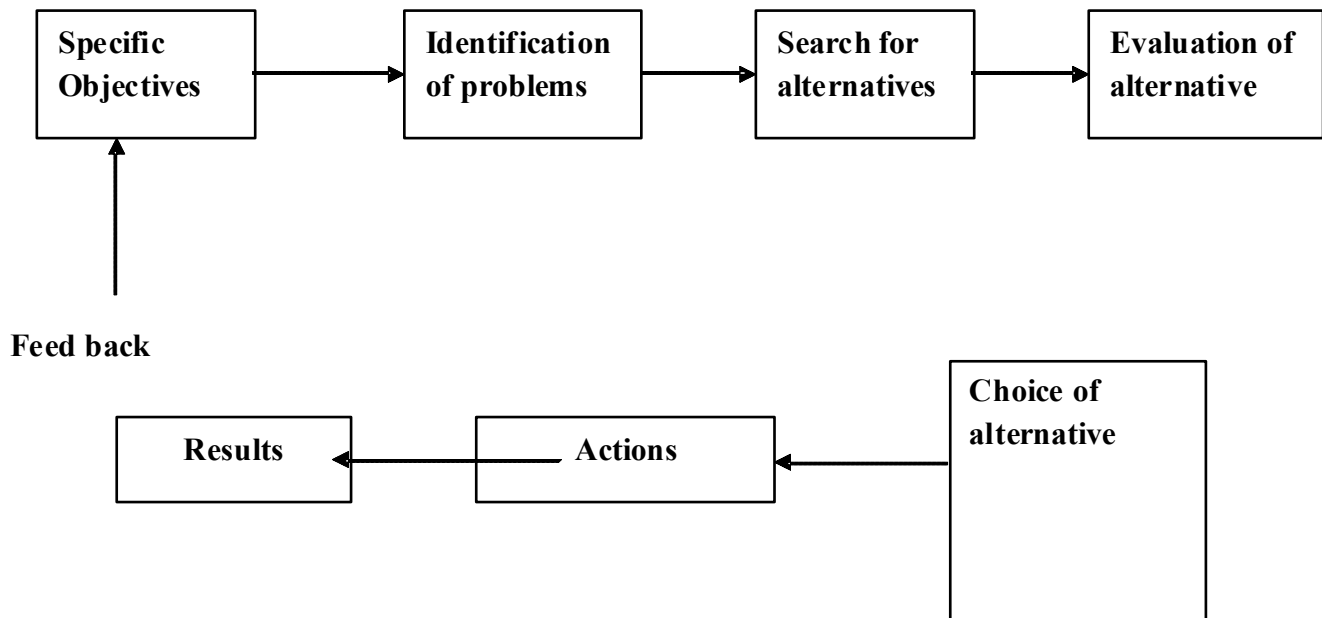
Since such decisions are in keeping with systematic plan, they get the stamp of authenticity, permanency and such decisions acquire nature of permanency as chances of effecting any changes or modifications in them with a short span of time, become remote.

---

## 8.4 DECISION-MAKING PROCESS

---

When a manager makes a decision, it is in effect the organization's response to a problem. As such, decision should be thought of as means rather than ends. Every decision is the outcome of a dynamic process which is influenced by multiple forces. This process is presented in Fig. 10.1. However, this process should not be interpreted to mean that decision making is fixed procedure. A process is basically a dynamic concept rather than static. Events and relationships are dynamic, continuous and flexible and must be considered as a whole in which many forces interact; a force affecting others and being affected by others. Therefore, the decision-making process as presented in Fig. 10.1 should be seen as sequential process rather than a series of steps to enable the decision maker to examine each element in the progression that leads to a decision. Moreover, the process reveals that it is more applicable to non-programmed ones. Problems that occur infrequently are unstructured, and are characterized by a great deal of uncertainty regarding their outcome, require the manager to utilize the entire process. For frequently occurring, structured problems, it is not necessary to consider the entire process. If a policy is established or a specific rule or procedure developed to handle such problems, it will not be necessary to develop and evaluate various alternatives each time the problem arises.



**Fig. 10.1 Decision-making process.**

### **1. Specific Objective :**

The need for decision making arises in order to achieve certain specific objective. Every action of human being is goal directed. This is true for decision making also which is an action. Therefore, the starting point in any analysis of decision making involves the determination of whether a decision need to be made. In fact, setting of specific objective itself is an outcome of an earlier decision. However, since the objective setting is an outcome of earlier decision, this may not be considered truly as the first step of decision process but provides framework for the decision.

### **2. Problem Identification :**

Science a particular decision is made in the context of certain given objectives, identification of problem is the real beginning of decision-making process) A problem is a felt need, a question thrown forward for solution. It is the gap between present and desired state of affairs on the subject-matter of decision. It is just like the diagnosis of patient by the doctor. When a doctor makes a diagnosis he has a normal, healthy person and he also has a fairly clear concept of what a healthy person is. With this model as the desired result, he looks for disparities in the patient's actual state of health or factors which indicate that his future health will fall short of normal. In the case of management decision, however, a manager cannot rely on a commonly accepted norm such as healthy person. The objectives, if set precisely and specifically on the subject-matter of decision, will provide clue in identifying the problem and its possible solution. Further in management, a problem exists whenever one faces a question whose answer involves doubt and uncertainty. If there is no solution to the problem, it cannot be treated as problem from decision point of view, though the consequences of not solving this problem may be terrible. A problem can be identified much clearly, if managers go through diagnosis and analysis of the problem.

### **3. Diagnosis :**

The term diagnosis has come from Medical Science where it is used as the process of identifying a disease from its sign and symptoms. A symptom is a condition or set of conditions that indicates the existence of problem. For example, a patient has certain symptoms on the basis of which his disease can be identified. Symptoms occupy an essential of problem-solving process they signal the existence of problem and guide the search for the underlying problem. For example, if an organization has high turnover of its employees, it indicates that something is wrong with the organization. The symptom of high turnover may provide the clue to the real problem and managers can overcome

the problem by taking appropriate action (decision making involves in taking action). Often managers fail to diagnose the problem correctly and sometimes they treat symptom as problem. Therefore, they should do this exercise very carefully^ Diagnosing the real problem implies knowing the gap between what is and what ought to be, identifying the reasons for the gap, and understanding the problem in relation to higher objectives of the organization.

#### **4. Analysis :**

While the diagnosis of problem gives the understanding of what should be done in terms of decision making, analysis of problem takes it a step further. The analysis of the problem requires to find out who would make decision, what information would be needed, and from where the information is available. This analysis may provide managers with revealing circumstances that help them to gain an insight into the problem.) The whole approach of analysis of problem should, however, be based around critical factors like the availability of information for making decision, criticality of decision, and the time available for making decision. For example, information may be available from external and internal sources and some of the information may not be available at all. Similarly the criticality of decision will determine the level at which the decision can be made. Thus diagnosis and analysis of problem requiring decision will clarify what is needed and where the alternatives for doing the thing can be sought.

#### **5. Search for Alternatives :**

A thorough diagnosis defines both a specific problem and the situation in which the problem exists. With this definition in mind, a decision maker seeds possible solution. A problem can be solved in several ways, however, all the ways cannot be equally satisfying. Further, if there is only one way of solving a problem, no question of decision arises. Therefore, the decision maker must try to find out the various alternatives £JL available in order to get the most satisfactory result of a decision. Identification of various alternatives not only serves the purpose of selecting the most satisfactory one, but it also avoids bottlenecks in operation)as alternatives are available if a particular decision goes wrong. However, it should be boraе in mind that it may not be possible to consider all alternatives either because some of the alternatives cannot be considered for selection because of obvious limitations of the decision maker or information about all alternatives may not be available. Therefore, while generating alternatives, the concept of limiting factor should be applied^ A limiting factor is one which stands in the way of accomplishing a desired objective. If these factors are

identified, managers will confine their search for alternatives to those which will overcome the limiting factors. For example, if an organization has a limitation in raising sizable finances, it cannot consider projects involving high investment.

A decision maker can use several sources for identifying alternatives: his own past experience, practices followed by others, and using creative techniques. Past experience, applied in most cases of decision making, takes into account the actions taken by the decision maker in the past with obvious differences between the former challenges and the present one. This is a very simple approach but has obvious limitations because there may be so much change in the decision context (that old action becomes totally irrelevant). Copying from the experience of others is another way of generating alternatives. Thus alternatives used by successful decision makers can be thought of as alternatives of decision making. This is also practiced by many organizations after making suitable amendments in the light of changed decision context. Importing of technology from foreign countries with suitable changes is a good example of this type of alternatives. The third method of generating alternatives is through a creative process where various exercises are taken to generate entirely new ideas. This aspect of search for alternatives will be discussed in a separate section of the chapter.

## **6. Evaluation of Alternatives :**

After the various alternatives are identified, the next step is to evaluate them and select the one that will meet the choice criteria. However, all alternatives available for decision making will not be taken for detailed evaluation because of the obvious limitations of managers in evaluating all alternatives. The energy of managers is limited and psychologically most of them prefer to work on plans that have good prospects of being carried out. In narrowing down the number of alternatives, two approaches can be followed: constraint on alternatives and grouping of alternatives of similar nature. The decision maker develops a list of limits that must be met by a satisfactory solution. He may treat these limits as constraints, that is, he may check proposed alternatives against limits, and if an alternative does not meet them, he can discard it. In the second approach, various alternatives can be grouped into classes on some specific criteria important to decision making. A representative alternative from one group may be selected for future analysis. Then having found the group that shows up the best, the decision maker can concentrate on alternatives within this group. This method is very helpful in decision making regarding the location of plant, warehouse, etc.

Having narrowed down the alternatives which require serious consideration the decision maker will go for evaluating how each alternative may contribute towards the objectives supposed to be achieved by implementing the decision. Evaluation of various alternatives dissects an alternative into various tangible and intangible factors. Tangible factors are those which can be quantified because they are quite obvious like the cost per unit, investment required, output to be received, ect. Such factors can be measured easily, though their happening may not be measured with certainty; for example, demand projection at a given price in a particular alternative. As against these, intangible factors are mostly qualitative and cannot be measured in terms of quantity. Therefore, some definitions can be used for such factors. For example, in a plant location, various non-economic factors like psychological problem arising out of displacement of persons from the plant site, ecological balance, etc., have to be taken into account which cannot be quantified. In evaluating an alternative, both these factors have to be taken into account. For determining the impact of a factor, various quantitative techniques have been developed which can be discussed in a separate section of the chapter.

#### **7. Choice of Alternative :**

The evaluation of various alternatives presents a clear picture as to how each one of them contributes to the objectives under question. A comparison is made among the likely outcomes of various alternatives and the best one is chosen. Choice aspect of decision making is related to deciding the most acceptable alternative which fits with the organizational objectives. It may be seen that the chosen alternative should be acceptable in the light of the organizational objectives. Thus it is not necessary that the chosen alternative is the best one. This concept is based on the satisfying approach rather than the maximizing approach of decision making, to be discussed later in detail/ In choosing an alternative, the decision maker can go through three approaches: experience, experimentation, and research and analysis.

- i. Experience :** Managers can choose an alternative based on their past experience if they have solved similar problems earlier. Reliance on past experience plays a larger part than it deserves in decision making. Managers rely more on experience than alternative methods of choice. Past experience has some benefits but it has certain limitation that it blocks making correct choice specially when the environment factors are more flexible.
- ii. Experimentation :** Experimentation which is generally used in scientific enquiry involves that a particular alternative is put in practice, result is observed, and the



alternative giving the best result is selected. For example, many organizations go for test marketing of their products before the products are really introduced in the market. During test marketing, the actions can be taken to change product features which are not acceptable. Experimentation as a method for choice of an alternative can be used on a limited scale because of cost and time factor.

- iii. Research and Analysis :** Research and analysis is the most certain method of selecting an alternative, specially when major decisions are involved. This approach entails solving a problem first by comprehending it. This involves a search for relationships between the more critical variables, constraints, and planning premises that bear the objectives sought. In the second stage, the alternative is broken into various components. Their individual impact on objective is evaluated and the impact of all factors of an alternative is combined to find out the total impact of the particular alternative. The one having the most positive impact is chosen. Since this requires making a lot of calculations, often the help of computer is taken. In fact, various computer-based models have been developed to make the choice of an alternative easier.

Though various approaches are available for choosing an alternative, the decision maker's personal values and aspirations affect what alternative will be chosen. In fact, in one way, the decision making is the translation of one's values and aspirations into action. Thus the rational process of decision making is considerably affected by the personal factors. Further, managers should take into account the uncertainty of outcome of a decision. Therefore, they should be ready with alternative action if one fails. In order to do this, managers should often be ready with contingency plans.

**8. Action Once the alternative is selected,** it is put into action. Truly speaking, the actual process of decision making ends with the choice of an alternative through which the objectives can be achieved. However, decision making, being a continuous and on-going process, must ensure that the objectives have been achieved by the chosen alternative. Unless this is done, managers will never know what way their choice has contributed. Therefore, the implementation of decision may be seen as an integral aspect of decision.

Once the creative and analytical aspects of decision making through which an alternative has been chosen are over, the managerial priority is one of converting the decision into something operationally effective. This is the action aspect of decision making. The basic difference between decision making as an analytical process and

action is that the former requires the use of conceptual skills since it translates the abstract ideas into reality. For example, suppose that there is a change in consumers tastes. This change is very abstract and cannot be seen unless some specific techniques and measurements are applied. How this change can provide opportunity to the organisation is mostly a conceptual exercise requiring managers to interpret what changes are taking place and what products or services will be preferred in the changed situation. Action, on the other hand, relates to putting a decision into practice so that objectives of decision are achieved. This practice will provide further feedback for evaluating the soundness of the decision and, if need be, a change in the decision.

Implementation of a decision requires the communication to subordinates, getting acceptance of subordinates over the matters involved in the decision, and getting their support for putting the decision into action. The decision should be effected at appropriate time and in proper way to make the action more effective. The effectiveness of action is important because it is only effective action through which organizational objectives can be achieved, and right decisions help in effective action.

## **9. Results :**

When the decision is put into action, it brings certain results. These results must correspond with objectives, the starting point of decision process, if good decision has been made and implemented properly. Thus results provide indication whether decision making and its implementation is proper. Therefore, managers should take up a follow-up action in the light of feedback received from the results. If there is any deviation between objectives and results, this should be analysed and factors responsible for this deviation should be located. The feedback may also help in reviewing the decision when conditions change which may require changes in decision. Therefore, a successful manager is one who keeps a close look at the objectives and results of the decision and modifies his decision according to the changes in the circumstances.

---

## **8.5 INDIVIDUAL V/SGROUP DECISION MAKING**

---

Every manager makes decisions in the organisation, either in his individual capacity or as member of a group. In fact, organizational decisions are combination of individual and group decisions. Both types of decisions have their positive and negative aspects. Therefore, the questions arises: what are the situations in which individual decisions should be preferred. Following is the analysis of situations for individual and group decisions.

- 1) **Nature of Problem** : If the policy guidelines regarding the decision for the problem at hand are provided, individual decision making will result in greater creativity as well as efficiency. While the problem requires a variety of expertise, group decision making is suitable.
- 2) **Time Availability** : Group decision making is a time-consuming process and, therefore, when time at the disposal is sufficient, group decision making can be preferred.
- 3) **Quality of Decision** : Group decision making generally leads to higher quality solution unless an individual has expertise in the decision area and this has been identified in advance.
- 4) **Climate of decision Making** : Supportive climate encourages group problem solving whereas competitive climate stimulates individual problem solving.
- 5) **Legal Requirement**: Legal requirement also determines whether individual or group decision have to be made. Such requirement may be prescribed by government's legal framework or by the organizational police, rules, etc. For example, many decisions have to be compulsorily made by board of directors (a group) or committee in companies.

When a manager makes a decision as an individual, he has to consider the steps involved in decision-making process and uses techniques for decision making. However, when he has to make decision as a group member, he has to consider group behaviour also. In group decision making, there can be either consensus among the members of the group, or the decision can be arrived at through simple majority unless the group prescribes any other mode of majority. Since many of the decisions are made in the organizations by the groups and these decisions are of significant consequences, many specific techniques have been developed for improving group decision-making.

---

## 8.6 TYPES OF DECISION-MAKING

---

Although managers in large business organizations, government offices, hospitals, and schools may be separated by background, lifestyle, and distance, they all sooner or later must share the common experience of making decisions. They all will face situations involving several alternatives and an evaluation of the outcome.

The significance and nature of decisions differ. Some decisions are repetitive, and others are one-time decisions. Similarly, some are made at group or individual levels. All these may be classified as under Figure 3.3

## Programmed Decisions

Programmed decisions are the decisions managers make in response to repetitive and routine problems. If a particular situation occurs often, managers will develop a routine procedure for handling it.

## Non-programmed Decisions

When a problem has not arisen in exactly the same manner before, or is complex or extremely important, it may require a non-programmed decision. Decisions are termed non-programmed when they are made for novel and unstructured problems. Making such decisions is clearly a creative process.

The two classifications - programmed and non-programmed - are broad, yet it is important to clearly differentiate between them.

**Figure - 3.3**

	<b>Programmed</b>	<b>Non-programmed</b>
<b>Types of Decision</b>		
<b>Type of problem</b>	Repetitive, routine	Complex, Novel
<b>Type of problem</b>	Business: Processing payroll vouchers College: Processing admission application Hospital: Preparing patient for surgery Government: Using state-owned motor- vehicle	Business: Introducing a new product College: Constructing new classroom facilities Hospital : Reacting to regional disease epidemic Government : spiraling inflation problem
<b>Procedures</b>	Rules Standard operating procedures Politics	Creative problem solving

### 1) Programmed and Non-programmed Decisions

Programmed decisions are routine and repetitive in nature. They refer to decisions made by managers for solving those problems or tackling those situations which require pre-determined set of procedures, techniques and rules. Programmed decisions are made with regard to routine and recurring problems which require structures solutions which can be arrived at with the help of operating procedures and processes, determined in advance. Here, 'decision rules' are very important which is a statement that identifies the situation in which a decision is required and specifies how it will be made.

Decision rules permit busy managers to make routine decisions quickly without going through comprehensive problems-solving procedures, again and again. Carefully and intelligently formulated and conceived decision rules may encourage lower level managers to share responsibility for programmed decisions and allow higher level managers to concentrate more on important non-programmed decisions.

The process of decision-making in respect of programmed decision is simplified by decision rules as no judgment or discretion is needed to find out solution of such problems. It simply becomes a matter of identifying the problem and applying decision rules for getting it solved. Programmed decisions remain consistent for a relatively longer period of time and over many solutions.

Non-programmed decisions are made with respect to problems which are unique, non-repetitive and about which required knowledge and information are not available. Such decisions are made under new and unfamiliar circumstances, less frequently compared to programmed decisions. Since non-programmed decisions are made with regard to new situation, it renders standard and pre-determined procedure and rules ineffective and irrelevant. And it calls for a lot of experience, creativity, innovativeness, farsightedness and judgment.

Non-programmed decisions are usually made for solving unstructured problems which keep on changing its character from time to time, marked by high degree of uncertainty. To make such decisions, the managers have to restructure and reformulate the problem by applying his managerial skill, judgment and creativity. Example of non-programmed decisions include deciding whether to merge with other organisations, diversify, open a new product or service, etc.

One of the decisions theorists has explained non-programmed decisions as follows: "There is no shortcut and direct method for handling the problems because it has not arisen before, or because its precise nature and structure are elusive and compels or because it is so important that it deserves a custom-tailored treatment." It is evident that non-programmed decisions are made on the complex, novel, non-routine problems which require creative decisions.

## **2. Strategic and Tactical Decisions**

Strategic decisions are made by the top level managers on problems and matters which are very important and critical for the survival, success and profitability of the organisation. These decisions exercise great influence on the functioning and direction of the organisation and have long-range implications because they are tenable for a

longer period of time. They define and establish the relationship of the organisation with its external environment. Such decisions require more resources, judgement and skill. Therefore, the responsibility for such decisions lies with the top management.

The main characteristics of strategic decisions is that they are taken, it is neither desirable nor feasible to withdraw them. For example, selection of product, selection of location, switching over to a new technology and taking over other organisations. Strategic decisions resemble non-programmed decisions because they possess some of the characteristics of the former. These decisions are made under conditions of 'risk' that is managers may have partial knowledge and may not be sure about the outcome of decisions.

To implement strategic decisions, some other decisions are made by the managers known as tactical strategic decisions. Single strategic decisions may call for a number of tactical decisions. These decisions are concerned with routine and repetitive matters arising out of the functioning of an organisation. They do not require managers' judgement and skill because they are related to implementation of strategic decisions. This is the reason that the authority for making tactical decisions is vested in lower level managers. Tactical decisions are more specific, functional and have short-term implications. Since they are of routine nature, certain established guidelines, procedures and rules are followed.

The difference between strategic and operational decisions can be understood with the help of the following example. In a manufacturing organisation, the strategic decision of selecting a product, process, making capacity planning and selecting location of a plant are made by higher level managers. Strategic decisions are implemented by making many operational or tactical decisions such as production planning, quality control, etc. These operational decisions are made by departmental managers by using a set procedure, rules and techniques.

## Comparison

Programmed Decision	Non-programmed Decision
<ol style="list-style-type: none"> <li>1. These are made for solving the problem of routine and repetitive in nature.</li> <li>2. Decisions are made by using predetermined procedures and rules</li> <li>3. Less use of judgement</li> <li>4. Consistency for longer period of time over many situations.</li> <li>5. Such decisions are made for simple and complex problems.</li> </ol>	<ol style="list-style-type: none"> <li>1. These are made for solving unique or and non-repetitive problem.</li> <li>2. Decisions are made by using experiance, Creativity and Innovativeness.</li> <li>3. More use of judgement</li> <li>4. There is no consistency</li> <li>5. Such decisions are made solving both generally for solving complex problems.</li> </ol>

## 2. Individual and Group Decisions

Every manger faces the challenge of making decisions. Only by making decisions he deals with situation effectively, resolves conflicts amicably and solves the problem efficiently. Decisions made by individual managers by using managerial skill and judgement predetermined procedures, techniques and rules are known as individual decisions. To make decisions, managers are supplied with required and relevant information and other inputs. They also get help from their subordinate mangers.

Individual decisions are made by all managers, from top executives to first line supervisors. Group decisions are made by two or more managers jointly. In order to make group decisions, managers working at the same or different levels come together, make deliberations on the problem, express their view points on several aspects of the problem and as a matter of collective responsibility, discover a solution to the problem. Such types of decision-making seems to be very common with regard to the problems which involve interest of many functional divisions or departments. For example, the decision of product selection may be arrived at by joint efforts of production manager; maarketing manager and manager of research and development department.

Compared to individual, group decisisions offer certain advantages. First, group decisions are based on integrated collective knowledge and judgement pooled together. Second, group decisions are considered to be more balanced in every respect because

they are made after considering different views of group members. Third, group decision-making provides positive contribution to the executives in training and development because subordinates get an opportunity to have an insight into the problem by discussing it with superiors, fourth, participation of subordinate or other members in decision-making serves as a motivation for them because they get involved in the problem; if it is solved, the need of self-fulfilment on their part gets satisfied. Fifth, group decision-making seems to be more desirable for solving complex inter-departmental problems because the group of managers, representing their respective departments, may handle a situation more efficiently. Sixth, group decision-making represents the cooperative nature of management which is considered more important for creating a team spirit among the group members.

The group decision-making is best with certain problems and limitations. First, it encourages indecisiveness and compromise on the problem because the least competent member may impede the efforts of the most competent one. Second, divided responsibility in group decisions adversely as due to these members do not exhibit a sense of responsibility. Third, inordinate delay in decision-making is also marked in group decision due to long discussions, procedural technicalities, and diverse options of the members. It ultimately reduces effectiveness of the decision-making process.

---

## **8.7 TECHNIQUES OF DECISION-MAKING**

---

Decision-making is an integrate part of the managerial job. Not only the efficiency of the manager but the success, growth and development of an organisation depends on the quality of decisions. To help the managers, in the task of decision-making, meaningful concerted efforts have been made on a regular basis for developing the techniques of decision-making which may be classified into two groups, that is, traditional and modern. Traditional techniques may further be classified into two groups, namely, programmed decisions and non-programmed.

### **Decision-making techniques for programmed decisions**

#### **Habits**

It is the most common techniques, used for repetitive and routine problems, wherein less to no efforts are made for making decisions. As the problem arises, it is solved without making much deliberation. Gradually, a habit is formed in respect of those repetitive problems. This happens regularly in our daily life.



## **Standard procedure and rules**

In every organisation, certain procedures and rules are formulated for solving simple and repetitive problems. When a problem arises, the managers apply set procedures and rules, in the form of standing orders or plans. These operating standard procedures have twin objectives, that is, they help and guide the managers in making decisions and solving problems and maintaining coordination as well as consistency in respect of managerial actions and decisions.

## **Organisational structure**

The relationship of superior and subordinate arising out of assignment of work and delegation of authority in an organisation serves as a systematic and continuous means of decisions. The managers need to have enough authority for solving problems and making-decisions. Authority is delegated from top to lower levels, which includes, among other rights, the right of making decisions. The authority for making decisions is backed by a proper information network. All managers or decision-making centres are linked to the information stem. So that necessary information may be supplied to them when they need it.

## **Decision-making techniques for non-programmed decisions**

The modern quantitative and scientific techniques of decision-making have greater application for solving complex, unique and novel problems. To make, non-programmed decisions, the manager does not totally rely on his personal abilities like judgement, skill and creativity but uses these abilities through scientific methods and prepares an optimal blend. The main objective of developing and introducing quantitative techniques is to ensure a high degree of precision and accuracy.

## **Linear programming**

This technique is used for determining the optimal combination of limited resources for achieving a given objective. It is based on the assumption that there exists a linear relationship between the variables. For example, in a production unit, these variables may be identified as a unit of output per machine in a given time, direct labour/material cost per unit of output, number of operations per unit, etc. With the help of a linear equation, optimum combination of cost, time and utilization of machine can be prepared. The objective function of this technique is either to maximise benefit or to minimise cost.

## **Queuing theory**

It is also known as 'waiting line theory' to be applied for maintaining a balance between the cost of the waiting line and cost of preventing the waiting line in respect of utilization of personnel, equipment and services. It is based on the assumption that although delays are costly, eliminating them may be even more costly. This technique may be used in service organisation like transportation, hospitals and banks, etc.

## **Probability theory**

This statistical device is based on the assumption that certain things are likely to happen in the future in a pattern which can be predicted to some extent by assigning various probabilities. Decision-making based on probabilities is common in all areas of management. In this techniques, pay-off matrices and decision trees are constructed to represent variables. Pay-off matrices help in choosing an appropriate strategy which would make the maximum contribution for achieving the objectives. The decision tree is an extension of pay-off matrices of action, modifying these result probabilities and comparing them for selecting an appropriate course of action.

## **Simulation**

In simulation, instead of studying and analysing the behaviour of a particular system, a model is prepared in an artificial setting. All features and variables of the actual system are structured in the model and by making changes in the variable the consequences are studied and suitable course of action is developed for tackling the real situation. For example, instead of studying and analysing transporting system of Delhi in a real setting, its model can be prepared and various properties of real situation can be simulated to it. By making changes in respect of several variables of the model, the results can be evaluated and the likely behaviour of events can be observed in the model. On the basis this exercise, necessary modification can be made in the real transportation system and problems related to it. :

## **Network Techniques**

Network techniques of project evaluation and review technique (PERT) and critical path method (cpm) are used for planning, monitoring and implementing time bound projects. These techniques help managers in deciding the logical sequence in which various activities will be performed. By applying these techniques, large and complex projects can be executed within the stipulated time and cost.

---

## **8.8 MODERN TECHNIQUES OF DECISION-MAKING**

---

On account of many drastic changes witnessed in the field of management, the process of decision-making has become complicated and complex, particularly in the context of the changing environment. A few decision-making techniques, developed in this context, are listed below.

### **Heuristic Techniques**

This technique is based on the assumption that the process of decision-making with regard to complex and strategic cannot be too rational and scientific. In the environment of uncertainty and turbulence, marked by conflicting interests, information gap and subjective human behaviour, it is necessary for the decision maker to take a fragmented view of the problem by breaking it into small components.

Dispersal of the complex problem into small parts and study and analysis of each part may lead to appropriate solutions. It is basically a trial and-error technique, based on certain rules of thumb. Heuristic techniques are developed by managers to deal with various components at different stages. These heuristics may be used with the help of a computer in more efficient manner for solving highly complex and strategic problems. Heuristic technique is a more refined way of trial and error method because it is developed by applying analytical approach and creativity.

### **Participative Decision-making**

In order to encourage industrial democracy and to make role of the employees more meaningful and contributive, the need for 'workers' participation in management and decision-making has become relevant. Normally, decisions are made at the higher level of management and imposed on lower level managers for implementation. However, if lower level managers or subordinates are associated with decision-making, not only balanced and timely decisions will be made but it boosts the morale and motivation of subordinates.

### **Use of creativity in Decision-making**

For making non-programmed decisions on unique, novel and non-repetitive problems, it helps managers to think creatively and innovatively. Brain storming and Delphi techniques are commonly used creative techniques for solving problems and making decisions. These techniques are group-based and involve the following steps:

1. Panel of experts on the particular problem is drawn both from inside as well as outside the organisation.
2. They are asked to throw up all possible alternative solutions or predictions which may be wild and impracticable.
3. Each member is given feedback on all alternatives suggested by the various members.
4. On the basis of feed-back, the members may be allowed to refine or modify alternatives suggested by them.

### **Creativity**

Creativity is a human faculty which helps the managers in solving complex and non-repetitive problems. By applying creativity, managers generate new, novel, improved ideas and approaches to a problem. Creativity may be defined as an ability to think originally and come out with some novel idea. It is part of a genuine human thinking process by which a particular individual strikes an idea which may not occur to others. However, it neither denotes super human ability nor a divine gift. Creative ideas may be generated at the individual or the group level. Interaction among members of the group is considered an important source of creativity. In every situation, creative persons go beyond the conventional and beaten track and come out with best ideas and new ways of doing things. The process of creativity has the following stages.

#### **Preparation Stage**

Creative ideas need some preparation, they do not arise in a vacuum. A creative thinker has to let his imagination loose. It involves looking at a problem from different angles.

#### **Incubation Stage**

If a creative person draws a blank during the preparation stage, he forgets the problem and concentrate on other problems or activities. After some time, he may experience sudden reflection on the problem, he had regulated to background. And, forms a new idea about the problem by default.

#### **Illumination Stage**

In this stage, there is a sudden flash of an idea which was being hatched by the creative person. Once the idea is illuminated, the creative person experience profound relief and satisfaction.

## **Elaboration Stage**

The illuminated idea conceived by the creative person has to be set in its right perspective. It is to be certified, revised and modified and accommodated to deal with the specific problem.

---

## **8.9 SUMMARY**

---

Managers spend a great deal of time in making decisions that must be carried out by others. Decisions can be classified in several ways like programmed and non-programmed decisions, major and minor decisions, routine and strategic decisions, individual, group decision and so on. Decision making process involves six steps.

- i. Recognizing the problem
- ii. Deciding priorities among problems
- iii. Diagnosing the problem.
- iv. Developing alternative solutions or course of action.
- v. Measuring and comparing the consequences of alternative solutions and
- vi. Converting the decision into effective action and follow up of action.

Assembly and measuring of consequences of each alternative can be done in three conditions, certainty, risk and uncertainty. Managers under the conditions of certainty, will precisely know about the result of each alternatives available to them. Managers, under the conditions of risk, know the probable outcome of each alternative within a small margin of error. When it comes to the condition of uncertainty, probabilities cannot be asserted precisely.

Management decisions are made under some degree of uncertainty. Practically ideal decisions are just imaginative because of the changes which can never be predicted. Good decisions are the outcome of ample knowledge, relevant experience, and consultation.

---

## **8.10 SELFASSESSMENT QUESTIONS**

---

1. What's decision making ? What are the aims and objectives of decisions?
2. What are the characteristics of decision-making?
3. Mention the importance of decision making,
4. Discuss few important elements of decision-making.

5. Describe the process of decision-making.
6. Differentiate between Individual and Group decision-making.
7. Discuss few types of decision making.
8. Differentiate between
  - a) Programmed and Non-programmed decisions.
  - b) Strategic and Tactical decisions.
9. What are the various techniques employed for decision making?
10. Discuss few modern techniques of decision-making?

---

## 8.11 REFERENCE

---

1. Davar. *The Management process*. Mumbai: Progressive Corporation Pvt. Ltd, 2010.
2. Harold Koontz. Heinze Weihrich. *Essentials of management*, New York: MacGraw-Hill, 1993
3. J S. Chandan. *Management Concepts and Strategies*, New Delhi: Vikas Publishing House Pvt Limited, 1997.
4. Chauhry Omvir, Prakash Singh. *Principles of Management*, New Delhi: New Age International Publishers, 2012.
5. Peter. Drucker. *Management of 21<sup>st</sup> Century*, New York: HarperBusiness, 2001.
6. Prasad L.M. *Principles of Management*, New Delhi: Sultan Chand & Sons, 2015.
7. Stoner J.A. and Freeman R.E. ***Management, New Delhi: Pearson Education India, 1995.***
8. Richard L. Daft. *Management*, Massachusetts, United States: Cengage Learning, 2013.
9. S.K. Mandal. *Management: Principles and Practice*, Mumbai: Jaico Publishing House, 2011.

---

## **UNIT-9: PRINCIPLES OF ORGANISATION**

---

### **Structure**

- 9.00 Objectives
- 9.01 Introduction
- 9.02 Meaning and definitions of organization
- 9.03 Nature and Characteristics of Organisation:
- 9.04 Importance of Organisation
- 9.05 Principles of Organisation
- 9.06 Organization as a process
- 9.07 Formal and Informal organisations
- 9.08 Types of organisations
- 9.09 Criticisms to the traditional view of organizations
- 9.10 Entrepreneurship
- 9.11 Development of entrepreneurship
- 9.12 Benefits of entrepreneurship
- 9.13 Barriers to entrepreneurship
- 9.14 How to overcome these barriers
- 9.11 Let us sum up
- 9.12 Self Assignment Questions
- 9.13 Case Study
- 9.14 References

---

## 9.00 OBJECTIVE

---

After reading this unit, you will be able to;

- Define and state the meaning and definitions of organisation
- Explain the principles of organisation
- Distinguish between formal and informal organisation.
- Understand the importance and problems of entrepreneurship
- Diagnose the barriers to entrepreneurship and solutions to the barriers.
- Discuss the different types of organisations

---

## 9.1 INTRODUCTION

---

Once the objectives are formulated, we have to prepare a plan or a course of action to assist in the achievement of our stated objectives. An essential part of any management in action is organization. Organization involves division of work among people whose effort must be coordinated to achieve specific objectives and to implement predetermined strategies.

---

## 9.2 MEANING AND DEFINITIONS OF ORGANISATION:

---

Organizing refers to the process of determining the tasks to be done, which will do them and how those tasks will be managed and co-ordinated. It is an interactive and organizing process that occurs throughout the life of the organization.

**Koontz and O'Donnell** defines “Organization is the grouping of activities necessary to attain objectives, the arrangement of each grouping to a manager with authority necessary to supervise it and the provision for co-ordination horizontally and vertically in the enterprise structure”

An Organization has been defined by **E. F. L. Breach** as “a system of structural interpersonal relationships. In it, individuals are differentiated in terms of authority, status and roles with the result that personal interaction is prescribed, and anticipated reactions between individuals tend to occur while ambiguity and spontaneity are decreased”.

According to **Louis A. Allen**, Organization is “the process of identification and grouping the work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives”.



**James Mooney** defines organization as “the form of every human association for attainment of a common purpose”.

**McFarland** has defined organization, “as an identifiable group of people contributing their efforts towards the attainment of goals”. Thus, the term organization represents a particular group of individuals engaged in accomplishing common goals. Organization as a group has certain features. They are as follows:

- a. It is a cooperative relationship of two or more persons
- b. Its purpose is to accomplish certain goals
- c. Its members can communicate with each other.
- d. The behaviour of the group is regulated through their own bye-laws.

---

### 9.3 NATURE AND CHARACTERISTICS OF ORGANISATION

---

Nature and characteristics of organization can be studied under the following four heads.

1. **Organisation as a Group of Persons:** Barnard has defined organisation as an identifiable group of people contributing their efforts towards the attainment of goals. Further in his book he has written that “An organisation comes into existence when there are a number of persons in communication and relationship to each other and are willing to contribute towards a common endeavour”. People from groups or organisations and pool their by defining and dividing various activities, responsibility and authority. As such an organisation has the characteristics like communication, Co operative efforts, Common objectives, and Rules and Regulations.
2. **Structure of relationship:** According to Brech, E.F.L organisation in a very narrow sense by defining it as a framework of duties and responsibilities through which the

---

### 9.4 IMPORTANCE OF ORGANISATION:

---

An organization is not merely a chart or a lifeless structure. It is the mechanism through which management directs, coordinates and controls the business. It is indeed the foundation of management. The good organization is important because:

- a. **Ensures optimum utilization of human resources:** Every enterprise appoints employees for the conduct of various business activities and operations. They are given the work according to their qualifications and experience. Organization ensures that every individual. Is placed on the job for which he is best suited.

- b. **Facilitates coordination:** It acts as a means of bringing coordination and integration among the activities of individuals and departments of the enterprise. It establishes clear-cut relationships between operating departments and brings proper balance in their activities.
- c. **Facilitates division of work:** Different departments are created for division of work, specialization and orderly working of the enterprise. Similarly, delegation relieves top level managers from routine duties.
- d. **Ensures growth, expansion and diversification:** Sound Organization structure facilitates expansion/diversification of an enterprise. Organization structure has in-built capacity to absorb additional activities and also effective control on them. A business enterprise brings diversification in its activities within the framework of its Organization.
- e. **Stimulates creativity:** Organization provides training and self-development facilities to managers and subordinates through delegation and departmentation. It also encourages initiative and creative thinking on the part of managers and others.
- f. **Facilitates administration:** Effective administration of business will not be possible without the support of sound organization structure. Delegation, departmentation and decentralization are the tools for effective administration.
- g. **Determines optimum use of technology:** Sound Organization structure provides opportunities to make optimum use of technology. It facilitates proper maintenance of equipment and also meets high cost of installation.
- i. **Determines individual responsibility:** Responsibility is an obligation to perform an assigned work. In a sound Organization, the manager finds it easy to pinpoint individual responsibility when the work is spoilt.

**Activity A**

**As a student of Master of Business Administration what do you know about the importance of organization? Explain it with some practical examples.**

.....

.....

.....

.....

---

## 9.5 PRINCIPLES OF ORGANISATION

---

There are some principles which are common to all organizations that are established in a classical form i.e. the form where there is hierarchy of authority and responsibility and it flows downwards. The principles of Organization offer guidance for the creation of a sound, efficient and effective Organization structure. In other words, these principles are the sound criteria for efficient organizing. They ensure smooth and orderly working of a business enterprise.

Principles of organizing are not given in a serial order by any authority on management. Management thinkers (Henry Fayol, F. W. Taylor, U. L Urwick and others) have laid down certain statements regarding organizing function of management. Such statements are treated as principles of organization. Well accepted principles of organization/organizing are as explained below.

- i. Unity of Objectives:** Objectives of the enterprise influence the Organisation structure and hence the objectives of the enterprise should first be decided clearly and firmly. In addition, there should be unity among the objectives decided. This gives clear direction to the whole Organisation and it will be geared for the achievement of such objectives. The Organisation acts as a tool for achieving the objectives. The objectives may be divided into departmental objectives and organizational objectives. There should be unity of objectives as such unity gives one clear direction to the whole Organisation. In addition, objectives should be made clear to all concerned persons so as to enable them to do their best to achieve the objectives.
- ii. Division of Work and Specialization:** Division of work leads to specialization. Every department of an Organisation should be given specialized functions. This will raise the overall efficiency and quality of work of an Organisation. At the same time, specialization and departmentation should not have any adverse effect on the total integrated system. Coordination must be established among the departments and activities. Specialization is necessary for raising the efficiency of the whole Organisation structure. The functions given to each department should be preferably only of one category. Employees should be assigned duties to different departments as per their qualifications, qualities and so on.
- iii. Delegation of Authority:** There should be proper delegation of authority in every Organisation, particularly in large organisations. The basic idea behind delegation is to see that decision-making power is placed at a proper place. Delegation should

go to the lower levels of management. Everyone should be given authority which is adequate to accomplish the task assigned to him. Delegation is useful for getting the things done through others. A successful manager normally does not perform the jobs by himself. He delegates the authority and responsibility to his subordinates. He also motivates his subordinates and see that they take initiative, work efficiently and contribute for achieving organizational objectives.

- iv. Coordination:** Organisation involves division of work and departmentation. This naturally suggests the need of proper coordination among the departments and efforts of people working in an Organisation. Due to coordination one clear-cut direction is given to people/ departments and efforts will not be wasted or misdirected. Coordination also brings integration in the basic functions of management. The principle of coordination is important as it facilitates achievement of overall objectives of a business Organisation. It also brings unity of action in the Organisation. Coordination will not be available automatically. For this, working relationships need to be established within the Organisation.
- v. Unity of Command:** Unity of command principle suggests that each subordinate should have only one superior whose command he has to obey. Dual subordination is undesirable as it leads to confusion, disorder, uneasiness and indiscipline. An employee should not have more than one boss to whom he has to report and also function as per his orders and instructions. Reporting to more than one boss leads to confusion.
- vi. Flexibility:** According to the principle of flexibility, the Organisation structure should be flexible and not rigid. Such structure is adaptable to changing situations and permits expansion or replacement without any serious dislocation and disruption. There should be an in-built arrangement to facilitate growth and expansion of an enterprise.
- vii. Simplicity:** The Organisation structure should be simple for clear understanding of employees. The structure should be easy to manage. Internal communication will be easy due to simplicity of Organisation. The Organisation structure should be simple as far as possible. The levels of management should also be limited.
- viii. Span of Control:** The span of control, as far as possible, should be small and fair. This means a manager should not be asked to keep supervision on large number of subordinates. The span of control should be narrow and manageable. It should be properly balanced.

- ix. **Scalar Principle (Chain of Command):** The principle of chain of command suggests that the line of authority from the chief executive to the first line of superior should be clearly defined. The line of authority should be properly defined so as to avoid any confusion as regards the line of authority. This principle suggests that as far as possible, the chain of authority should be short and should not be broken.
- x. **Exception Principle:** The executives at the higher level are busy in important matters and have limited time for the study of routine administrative matters. It is not desirable to take routine matters to the top level managers frequently. Very crucial and exceptionally complex problems should be referred to the top executives and routine matters should be dealt with by the junior executives at the lower levels. Moreover, time of top executives is saved. They can use their time for dealing with more important and complex problems.
- xi. **Authority and Responsibility:** Authority acts as a powerful tool by which a manager can achieve a desired objective. Authority of every manager should be clearly defined. Moreover, it should be adequate to discharge the responsibilities assigned. The superior should be held responsible for the acts of his subordinates. He cannot run away from the responsibility simply by delegating authority to his subordinates. In fact, the responsibility of the superior for the acts of his subordinates is absolute.
- xii. **Efficiency:** The Organisation structure should enable the enterprise to function efficiently. This will enable the enterprise to accomplish its objectives quickly and also at the lowest cost. For this, the structure introduced should be suitable to the nature, size, activities etc. of the Organisation. A suitable Organisation structure ensures full and purposeful utilisation of available human and material resources and ensures efficiency.
- xiii. **Proper Balance:** Proper balance is necessary in different aspects of the Organisation. This means there should be reasonable balance in the size and functions of departments, centralisation and decentralisation of the Organisation, span of control, chain of command and finally in between human and material resources. This principle of balance suggests that the top management should see that the vertical and horizontal dimensions of the Organisation are fairly balanced.
- xiv. **Separation of line and staff functions:** Line functions should be separated from the staff functions even when they are supplementary in character. Line functions

are directly connected with operations while staff functions are auxiliary to the line functions. These functions should be coordinated when necessary but normally they should be kept separate.

---

## 9.6 ORGANIZATION AS A PROCESS

---

It is a process or managerial function of organizing work, people and the systems. The process concept stresses dynamic nature of an organization and it permits an organization to be considered as an open adaptive system. In this sense, an organization is an ongoing process of structuring, arranging the parts of an organization. The second concept of an organization as a process adds three major issues: 1. Provisions of an organizational climate so that people are motivated to give off their best in achieving organizational objectives. 2. Design of communication system for effective decision making, control and coordination. 3. An overall organization that is innovative and responsive to relevant environment changes.

The steps in forming an organization are:

1. Formulate objectives, strategies, plans and policies
2. Determine activities needed to execute these plans and policies and accomplish the objectives.
3. Classify and group these activities in the best possible way such as grouping activities to form individual jobs, grouping of jobs and people into sections, grouping of sections into department, grouping of sections and departments to administrative units such as division
4. Assign and delegate to the head of each group, section, department etc, the authority needed to perform these activities.
5. Coordinate or tie these group of activities through authority relationship horizontally, vertically and laterally and through organized information or communication system.
6. Organize work at shop or plant level.

---

## 9.7 FORMAL AND INFORMAL ORGANISATIONS

---

**The Formal Organization** is one which refers to a structure of well defined jobs each bearing a measure of authority and responsibility. It is a conscious determination by which people accomplish goals by adhering to the norms laid down by the structure. This kind of organization is an arbitrary set up in which each person is responsible for

his performance. Formal organization has a formal set up to achieve pre- determined goals. Examples of formal organization are:- a company, a school, a college, a bank, etc.

**Informal Organization** refers to a network of personal and social relationships which spontaneously originates within the formal set up. Informal organizations develop relationships which are built on likes, dislikes, feelings and emotions. Therefore, the network of social groups based on friendships can be called as informal organizations. There is no conscious effort made to have informal organization. It emerges from the formal organization and it is not based on any rules and regulations as in case of formal organization. If you and your colleagues decide to meet every Sunday evening for two or three hours to play games and other events, you are meeting in an informal. The following table gives the details about the differences between Formal and Informal Organizations

Sl. No.	Formal Organisation	Informal Organisation
1	A formal organisation is formed by the top level management.	An informal organisation is formed by social forces within the formal organisation.
2	The members of a formal organisation have to follow certain rules and regulations.	The members of an informal organisation do not have to follow any rules and regulations.
3	In a formal organisation, the duties, responsibilities, authority and accountability of each member is well-defined.	In an informal organisation, there are no fixed duties, responsibilities, authority, accountability, etc. for the members.
4	In a formal organisation, the objectives or goals are specific and well-defined. The main objectives of a formal organisation are productivity, growth, and expansion.	In an informal organisation, the objectives are not specific and well-defined. The main objectives of an informal organisation are friendship, security, common interest, individual and group satisfaction, etc.
5	A formal organisation is stable.	An informal organisation is not stable.
6	A formal organisation uses formal channels of communication.	An informal organisation uses informal channels of communication (i.e. grapevine)
7	A formal organisation is shown on the organisational chart.	An informal organisation is not shown on the organisation chart.
8	In a formal organisation, there exist a superior-subordinate relationship	In an informal organisation, there is no such superior-subordinate relationship.
9	The members of the formal organisation get financial benefits and perks like wages or salaries, bonus, travelling allowances, health insurance, etc	The members of informal organisation get social and personal benefits like friend circle, community, groups, etc.

## **ADVANTAGES AND BENEFITS OF FORMAL ORGANIZATIONS**

The benefits and advantages of formal organization include the following.

1. They provide the basic structure of division of work and responsibilities. Without such a structure it will be very difficult for employees to agree between themselves on duties and responsibilities of each, and such difficulties multiply in geometric proportions with increasing size of the organization.
2. It generates clarity on what support and input each employee can expect from others, and in turn what is expected of him by others.
3. It promotes discipline in the organization.
4. It makes it easier to review and revise organization with changing requirements.
5. It provides a structure for laying down pay scales and taking other decisions linked to organizational levels.
6. It helps in other human resources development activities such as recruitment, promotions, career planning and development and manpower planning.

## **DISADVANTAGES OF FORMAL ORGANISATIONS**

Although formal organizations and structures are absolutely essential, they are not free of drawbacks or shortcomings. Following are some common disadvantages of formal organizations:

1. Because of their rigid nature, working in a very formal structure can often lead to job dissatisfaction. Although there are various factors that contribute to that, but a tedious, non-social and non-creative working environment is a big factor.
2. In formal structures, there is no room for social affiliation and psychological needs. They are built solely for the benefits of the organization. Eventually, they may end up suppressing the social needs of the employees. The great downside of this is that people often get de-motivated – especially the ones who have high social affiliation needs. Moreover, the process of communication is also affected by lack of socializing.
3. We just learned that formal structures are very rigid and systematic in terms of job assignment and responsibilities. This, as a result, stampedes the creativity of employees in the organization. Though not every organization will suffer from it, but the ones that do require their workers to exhibit creativity and out-of-the-box approaches are affected severely by formal structures. In short, the formal organization – with its rigid approach – does not offer enough room to stimulate creativity.



4. Sometimes, in order to speed up things, the structure and system should be avoided. However, as formal organizations really require you to submit everything through a well-organized system; it may result in operational delays. Everything goes through a scalar chain, which is a hierarchical in nature. If there are no formal boundaries, a labor can directly communicate and report to the top-level executive. But that's hardly the case in formal structures. As a result, formal structures do slow things quite a bit – especially, when compared with the informal structures.

#### **ADVANTAGES OF INFORMAL ORGANISATIONS:**

Also known as the grapevine, the informal organization, consisting of informal employee interaction, has some significant advantages over more formal communication channels. Company leaders do sometimes have concerns about rumors or gossip perpetuating through grapevine conversations. However, informal networks affect company culture, and when well-managed, they can improve overall communication and morale.

##### **a. Rapid Communication**

Some company leaders prefer to have employees hear important messages in more formal ways. However, the informal organization often allows messages to spread fairly quickly through employee ranks. If the message has a positive tone such as building interest in supporting company initiatives or activities, employees can often inspire a groundswell of interest through their informal interaction. This benefit is especially useful in organizations that rely heavily on employee involvement.

##### **b. Supports Formal Communication**

Sometimes formal communication channels fail to produce enough useful and relevant information to help employees optimize performance. Top managers and other leaders may neglect to deliver important messages or leave front-line workers out of communication. In these instances, informal communication can help fill in some of the gaps and keep more employees in the loop. Some front-line managers try to tap into this benefit of informal organizations by asking workers to spread the word with important messages.

##### **c. Cohesion**

A primary benefit of the informal organization is that it provides an opportunity for employees to develop bonds with co-workers. This improves overall workplace cohesion and morale. Employees that work together often produce better results if they

have good rapport away from work processes. Similar, when employees from various functional areas or work teams interact informally, they have better communication and willingness to work together with others.

#### **d. Employee Feedback**

Though some managers have concerns about the conversations that go on in informal organizations, others realize they are inevitable and proactively try to make use of them. They may get involved within the grapevine conversations or gain feedback from key employees on the sentiments of employees on certain issues and situations. This informal feedback often takes place more quickly and with greater honesty than when employees are formally asked to offer feedback or share opinions on company activities.

However, the managers need to consider the effects of the informal organizations on individual and group behavior when they make any organizational changes, because altering the formal structure may disrupt the informal norms that make the organization work.

#### **Activity E**

**List all the informal organizations in which you regularly participate. What are the activities undertaken by these informal organizations?**

.....

.....

.....

.....

---

### **9.8 CRITICISMS TO THE TRADITIONAL VIEW OF ORGANIZATIONS**

---

The classical writer's recommendations for organizing and managing do not work in all situations. Prescriptions for machine like efficiency that works in military organizations and simple shop operations often fails to produce results in complex organizations.

Fayol's principles do not guarantee success. Experience proves that organizing is more than just the strict compliance of rules that Taylor had stressed. Weber's efficient organizational formula fails to offer any benefits in actual practice. Bureaucracy, in fact highlights the epitome of inefficiency. Additional challenges emerge from two other sources.

The first one is bottom-up authority. Traditionalists favoured flow of authority from top to bottom, in an uninterrupted fashion. Owners preferred to exercise their authority over those who are cut off by distance, through this route, much to the resentment of those working at lower levels. Chester I. Bernard, instead, described organizations as cooperative systems. He felt that a leader's authority is eventually determined by the willingness of subordinates to follow his commands.

The second challenge is Open Systems theory. The traditional concept of the organizing process is task-oriented and emphasizes the work to be performed by individuals, who are part of the organization. The organization is viewed as a closed system, enclosed and sealed off from outside world. The organization has all the energy it needs and there is not need to look into the environmental changes. The environment, it is assumed, would be stable, predictable and would not pose problems. The essential objective of management should be to provide a sound organization structure that promises goal accomplishment. To this end, managers must try to find out ways for increasing internal efficiency, the task should be made as simple as possible by ignoring factors that increase uncertainty.

Recognizing the inadequacies in the traditional approach, Thompson suggested the open-systems view, in order to develop an accurate picture of organizational life. The open-systems view accepts the environment as an integral part of organizational reality. Organizations are complex, goal-seeking social units. In addition to the penultimate task of accomplishing goals, they must adapt to and shape the external environment. The open systems view conceives of the organizational system as a set of interrelated elements that acquires inputs, transforms them and delivers outputs to the external environment. Thus, an organization is a social system composed of a number of sub-systems, all of which are independent and interrelated. It is open and dynamic having inputs, outputs, operations and feedback.

---

## **9.9 TYPES OF ORGANISATIONS**

---

Ordering a neat classification scheme in an organization is known as organizational typology. Typology shows a scheme of categorization, a tool for differentiation based on certain general characteristics possessed by as an organization. There is, however, no single correct typology of organization. When variations occur in major organizational properties, typologies also need a face lift. Some of the popular ways of classifying organizations may be listed as follows.

**1. Functions performed:** According to Talcott parsons, organizations can be classified primarily into four categories, based on functions:

- a. *Economic organisations:*** these organisations are primarily concerned with producing something of value to the society. They are wedded to a philosophy of generating surplus profit. Examples: Industrial, Commercial and trading concerns.
- b. *Political organisations:*** These organisations survive on the basis of service to society. They help in achieving the basic values cherished by the society.
- c. *Integrative organisations:*** Integrative organisations are concerned with social control and maintenance. Police departments and other protective organisations are included.
- d. *Pattern maintenance organisations:*** organisations like educational institutions, research institutions, religious organisations, clubs etc. are primarily concerned with long term interests of society.

**2. Services rendered to the society:** Peter M. Blau and Richard Scott's have suggested a two benefits criterion for classifying organisations. According to this scheme, an organisation survives on the basis of the services rendered to the society. The authors have suggested four types of organisations.

- a. *Mutual benefit associations:*** the associations like trade unions, political parties professional bodies etc. crop up to serve the interests of members. It is not always possible for these organisations to achieve the seemingly easy objectives because of two problems-membership apathy and oligarchical control.
- b. *Business organisations:*** owners are the primary beneficiaries in business organisations. They are mainly concerned with maintaining operational efficiency-achieving maximum gain at minimum cost. It is true, that other groups like employees, customers, society etc. receive benefits simultaneously from business organisations but in the final analysis, the survival of such institutions depends on how effectively the owners are rewarded for the risks undertaken.
- c. *Service Organisations:*** Organisations like hospitals, educational institutions, and social welfare agencies etc. clients are the primary beneficiaries. In order to render effective service to the clients, the professionals looking after these organisations must emphasise two things. Service is more important than observing procedures and the nature of service is to be decided by these clients and not by the clients.

*d. Commonwealth organisations:* these organisations like the army, police departments, post offices etc. are mainly concerned with serving the interests of the public at large.

**3. Objectives they satisfy for the society:** According to Samuel Deep, organisations can be classified according to the objectives they satisfy for the society, in the following ways.

*a. For profit organisations:* These organisations provide goods and services at a profit. Companies, partnership firms. Sole proprietorship firms are organised along these lines and they generate profit for survival and continuance in the market.

*b. Government organisations:* These organisations satisfy the public need for order and provide a means for people to exercise some measure of control over their environment. Examples are central and state government undertakings.

*c. Protective organisations:* They shield citizens from danger. Examples are Police and military organisations.

*d. Service organisations:* They act in the interest of the general public without always receiving payment in full for services rendered. Examples are voluntary organisations.

*e. Political organisations:* They seek to influence legislation by electing a member of their group to public office. Political parties, groups and associations are these examples.

*f. Religious organisations:* they provide for the spiritual needs of members and try to enlist non-believers into their fold.

*g. Social organisations:* they satisfy the needs of persons to make friendships and to make friendships and to have contact with others who have compatible interests. Examples are clubs, team, and fraternities.

---

## 9.10 ENTREPRENEURING

---

There are so many institutes and organizations which are involved in entrepreneurship development activities and there are people who join these programmes as a stepping stone to become entrepreneur. It is a known fact that so many management institutes are coming up to cater to the growing need of industries by supplying traditional managers/corporate manager.

The entrepreneurship is very an old concept according to which anyone who runs business is called an entrepreneur.

The more precise meaning of entrepreneur is; one who perceives a need and then brings together manpower, material and capital required to meet that need. Entrepreneur is one who understands the market dynamics and searches for change respond to it and exploit it as an opportunity.

Entrepreneurship is different from management. Entrepreneurship involves in initiating changes in production, whereas management involves the ongoing coordination of the production process. The process of creating new organisations more specifically, small business is known as entrepreneurship. In the words of Paul H. Wilken “entrepreneurship is a discontinuous phenomenon, appearing to initiate changes in the production process . . . and then disappearing until it reappears to initiate another change”.

### **DEVELOPMENT OF ENTREPRENEURSHIP:**

The attention devoted to big companies during 1960s, obscured the fact that newer and smaller firms create most of the new jobs. Moreover, the function of the entrepreneur seemed unimportant to the dominant school of economics, which was chiefly interested in managing consumer demand by inducing consumers to buy more products.

Later n 1970s, the mood changed when economies concerned primarily with consumer demand failed to prevent the constant inflation of the decade. Economists began to worry about the fact that productivity was increasing much less rapidly than it had earlier. This made them more interested in the supply of goods and services-the entrepreneur’s sphere- and less interested in managing demand. Slower growth in general made those sectors of the economy that were still rapidly growing stand out, which were founded by people wanted to change the business world.

### **BENEFITS OF ENTREPRENEURING**

Any individual, who possesses a business, firm, or venture, is known as an entrepreneur. He or she is accountable for its development, the inherent risks and returns associated with it. Entrepreneurship is defined as the practice of beginning a new trade or reviving an existing business, for capitalizing on fresh opportunities. Normally, entrepreneurship is a difficult proposition as many new businesses fail to survive in their initial periods and never take off. The entrepreneurial activities for a particular kind of business depends upon various factors and is quite specific on the kind of business or firm being run. Whatever may be the course of action, entrepreneurship has a lot of benefits both for the entrepreneurs and the society in which these businesses are carried out. Some of these benefits include:

### **1. Opportunity to get control.**

Owning a firm or a business endows the entrepreneurs with the independence and opportunity to control their own business. They can aim to achieve targets that are important to them. Entrepreneurship provides entrepreneurs a chance to take decisions according to their own wishes.

### **2. Offers a chance to make a difference**

Some people begin and put a lot of effort just to make a difference in society. This has given rise to the concept of social entrepreneurship, which is a recent phenomenon. Such people search for opportunities to serve a cause that is significant to them and try to find pioneering solutions to some of the most pressing and challenging problems of society.

### **3. To reap high Profits**

Reaping high profits by being an entrepreneur is one of the most important factors that motivate people to become one and take up all the challenges associated with it. The profits their companies and businesses make play a vital role in any decision made by entrepreneurs. Owning a business or a firm is the best way towards accumulation of wealth.

### **4. Helps people work to their full potential**

Many entrepreneurs find their work to be extremely enjoyable. They consider their business as an instrument of self-actualization and self-expression. Owning a firm or a business acts as a test for the creativity skills, abilities, and determination of an entrepreneur and is taken up as a challenge towards success.

### **5. Offers a chance to pursue their interests.**

Most entrepreneurs don't believe their work to be actual work. Most of them establish businesses closely associated with their interests. As such, there is no particular age for retirement of entrepreneurs.

With all these benefits people now consider the alternative of running their own small businesses rather than doing jobs for others. However, the entrepreneurship has at least four specific social benefits as follows:

- a. It fosters economic growth.
- b. It increases productivity.
- c. It creates new technologies, products and services, and
- d. It changes and rejuvenates market competition.

## **BARRIERS TO ENTREPRENEURSHIP**

The following are the reasons which explain the failure of entrepreneurs.

1. A society putting premium on safety and security in matters of securing a livelihood, such a value can become a strong social barrier to entrepreneurship.
2. In some societies, the business is considered as a profession of lower hierarchy. Business people are considered inferior to office-goes, engineers, doctors etc. Such a social response to entrepreneurs can be a big hurdle in developing and nurturing entrepreneurs.
3. A society denying access to self-esteem will be placing hurdles in the path of an entrepreneur.
4. Social factors such as
  - insistence on conformity
  - an excessive protective attitude among children during their formative years
  - Discouragement to mobility will all thwart the following essential values of entrepreneurship: creativity, innovative spirit, and Sense of adventure.
5. The capital for setting up the new venture is not accessible for the entrepreneur
6. Non-availability of labour at reasonable cost.
7. If the labour market is unreliable and is fraught with indiscipline and selfishness, it will also become a barrier for entrepreneurship.
8. Shortfall in the availability of raw materials in the desired quality and quantity.
9. Inadequate infrastructure to transport the raw material to the factory.
10. Non-availability of easy access to the market for the finished goods.
11. A political environment that is characterised by instability and insecurity will discourage entrepreneurs.
12. Political policies can retard the growth of entrepreneurial ventures in a country.
13. Excessive interference in the form of controls, delays etc. from the government can discourage prospective entrepreneurs.
14. Once the venture starts functioning, the obstacles faced in the initial stages can make the entrepreneurs to lose their commitment and consequently their level of motivation dips. The entrepreneurs who lack toughness and perseverance often quit.



15. Certain perception barriers can hamper the progress of the entrepreneur. Lack of a clear vision and misunderstanding can result in faulty perception. If the entrepreneur demands everything to be clear and well-defined in order to develop a perception, it will lead to disappointment. As entrepreneur's world is basically disorderly and ambiguous, the people who excessively depend on order will find it a barrier to entrepreneurship.

## **HOW TO OVERCOME THESE BARRIERS**

Entrepreneurship is the idea that you can begin your business and be your own boss. While it does sound like a dream, and it is the dream for many people, there are also barriers to overcome before you can become any sort of entrepreneur, much less a successful one. Fortunately, barriers can be overcome if you're deliberate and you look for opportunities that will give you a hand up over the obstacles you face.

Write up a business plan. Your business plan is the blueprint for everything you hope to do as an entrepreneur. It should cover your startup costs, your licensing fees, your prospective earnings, competitors in the area, and anything else you can think of when it comes to your business. This plan should educate anyone that reads it about what you're trying to do and what your business will be accomplishing.

Examine all barriers that you come across in writing your business plan. Whether there's not currently a business like yours and you need to get the word out, you don't have access to the venture capital that you need, you lack the business education and experience or you just need to find a physical location for your business, these are all hurdles that you will have to overcome.

Find solutions. Not all solutions to barriers will be quick ones, but you need to do what is best for you and your business. For instance, if you lack venture capital, you could apply for government grants or start-up loans, or you could attempt to persuade individuals to invest in your business. If you lack the business knowledge and expertise, then you could go to college and get a bachelor's or associate's degree in business to help you better understand what you're getting into. If you lack experience, work for someone else in the field and gain knowledge and understanding. Whatever you need, you have to find a way to get it.

**ACTIVITY:**

**As an entrepreneur try to brief about the probable barriers in successful entrepreneurship and also try to explain about the measures to overcome these barriers.**

.....

.....

.....

.....

---

**9.11 LET US SUM UP**

---

An organization has many characteristics of music. Music is not constituted of the individual notes but the relationship among them. Just as each note would be meaningless if played itself so would each task in an organization be ineffective if not coordinated with the others. The conductor's function is, in a figurative sense, similar to that of an organizer. Given a piece of music, the conductor must select the musicians to play each instrument, determine the tempo, cue the musicians to enter at the right time, and ensure that everyone works together to complete the performance. Similarly, given a plan with specified objectives, the organizer must assign people to accomplish each objective and must coordinate their efforts so that each objective is accomplished and the goal is attained. If the conductor's efforts are successful, the results will be music, not noise. If the organizer's efforts are successful the results will be accomplishment of the overall goals, not chaos.

A manager must organize people, materials, time, work jobs. When he does this, he brings order out of chaos, creates relationships among the members of the organization and provides systematic linkages amongst the different parts. He creates an environment, which will be conducive to the achievement of the organizational objectives. When a manager establishes goals, directs work and establishes authority relationship, he is obviously performing the organizing function. Like planning, organizing is an inseparable part of the managerial function. Before he issues a directive, a manager must organize his proposals. Organization must exist before hierarchies can be established and before production facilities can be laid out. Before a manager can organize, he must plan.

The practice of taking an idea and inventing an organization for developing that idea is known as entrepreneurship. The entrepreneur, who seeks environmental change as an opportunity, uses the factors of production to produce new goods and services. Entrepreneurship is different from management because it focuses on initiating change in production and creation of a new organization whereas management involves on ongoing coordination of the production process at an existing organization. Entrepreneurship can occur when an individual or group of individuals start a new business.

Informal organization exists in every formal organization. People group themselves together to satisfy social needs. Informal organization is valuable for smoothing the flow of information and coordinating organizational activities. They are testimony of people's ingenuity in carrying out their work and to their desire to work in a complex web of relationships. These groups can work for or against the formal organization's goals.

---

## 9.12 KEYWORDS

---

1. **Organizing:** Creating a structure with inter-related parts
2. **Organization:** A group of people who come together to achieve certain predetermined objectives.
3. **Entrepreneur:** An entrepreneur is the originator of a new business venture and a new organization for that venture.
4. **Entrepreneurship:** Is a discontinuous phenomenon, appearing to initiate changes in the production process and then disappearing until it reappears to initiate another change.
5. **Formal organization:** A structure of well defined jobs, vertical division of labour and communication channels.
6. **Informal organization:** Association of persons arising out of the work relations in the work environment, also known as grapevine.

---

### **9.13 SELF ASSIGNMENT QUESTION**

---

1. What do you mean by organizing? Explain the salient features of organizing.
2. Explain the different types of organizations. What are their features?
3. Explain the steps involved in the organizing process.
4. Differentiate between formal organization and informal organization.
5. Explain the principles proposed by Henry Fayol for guiding the establishment of formal organizations.
6. What advantages and disadvantages are available for formal organizations?
7. What is Entrepreneurship? How do you develop it?
8. What are social benefits derived out of Entrepreneurship?
9. Who is an entrepreneur? Explain the factors that affect the entrepreneurs.
10. Explain the barriers to entrepreneurship. How can you overcome them?

---

### **9.14 CASE STUDY-A**

---

Mr. Kamal Nayan joined as office manager, Industrial Products Limited, Bombay, after coming back from USA degree with specialization in personnel management. He was young and energetic and believed in results. Before proceeding to USA, he had several years of experience in India in different capacities. When Mr. Nayan joined Industrial Products Limited, its office time was 10.30a.m. To 5.30p.m. He felt that the timing should be changed to 10.00a.m. To 5p.m. because he knew that office personnel in USA did not work after 5.00p.m. He thought this to be true for India also and, to ensure more availability of effective time for office; he changed it to 10.a.m. to 5.00p.m. He announced the change officially.

No one reacted initially but after two days Mr. Nayan received a written memorandum by all the office personnel that old office timing to be restored. Mr. Nayan did not yield to this demand. However, he was convinced that the first step was to build cooperative spirit among his employees through informal get-together. Therefore, he prepared a scheme of having monthly dinner party of all members of the office. In the party, all members were to bring their home-made dishes. Their wives and children were to be encouraged to attend the monthly dinner party. The scheme was announced through placing it on the information bulletin of the company. The notice also invited suggestions from the members for making the scheme successful. Two weeks elapsed and no

suggestion came. On one occasion, when the day was nearing for the first dinner meeting, he overheard the following conversation between two of his office members:

From employee: “So, what are you bringing for the party? As for myself, I will bring Bhelpuri”.

Second employee: I will bring Chana!” (Both laughed)

Mr. Nayan felt that nobody was seemed to be concerned in his scheme.

### **QUESTIONS:**

1. What are the reasons for not supporting the actions of Mr. Kamal Nayan by his employees?
2. Advise Mr. Kamal Nayan how he should proceed in the matter.

### **CASE STUDY-B:**

Mr. X, an MBA in his early fifties, an administrator occupying the number two position in the hierarchy of a large organization had a number of junior levels managers under him. He also had in the hierarchy, a couple of supervisors/inspectors (both male and female) and a number of junior assistance working under him. A jovial person and a workaholic, Mr. X was keen on the application of his formal education in management and innovative techniques. Therefore, he used to move freely with his subordinates and colleagues. Firm but fair, tough but tender, were his mottos. He was recently transferred to a place where orthodoxy still persisted.

Some of the junior assistants in the new set up were extremely intelligent and compensated for the average intelligence of the supervisor. Any important work assigned to Mr. X was completed successfully with their help.

Mr. X noticed a changed pattern of behavior in his supervisors and was concerned about it. When he tried to probe the reasons behind it, he was surprised to know that it stemmed from his own casual behavior with the staff. It was felt that his language was too familiar-in case of ladies, it conveyed a misconception of closeness, and with him, it was perceived as disrespect.

The matter reached his boss also. The boss, who was his well wisher, pointed out that he should change his pattern of behavior. Mr. X replied that the approach that he used with youngsters, peers, and older people was one of affection, familiarity and deference, respectively. He further argued that he did not stand on formalities arising from his position in the office. Unfamiliarity with the language and ambiguity regarding

the usage of words were other factors he quoted as reason for the present dilemma. Moreover, colleagues who were jealous of Mr. X were fanning the ill-feeling, he felt.

Regarding of anything, the boss advised Mr. X mend his behavior stating that the Western techniques of “Personnel Management” which incorporates free mingling with the subordinates and developing a spirit of camaraderie between the boss and the subordinate, will not work in the Indian situation. However, Mr. X countered that the existing pattern of boss-subordinate relationships in the Indian situation should be changed to benefit the organization. The boss did not agree with his views and advised him to change his pattern of working. Mr. X was also told to deal with junior assistants and supervisors, etc., only through the junior manager’s indiscipline. Mr. X. changed his pattern, by avoiding the regional language and also addressing everyone in the most respectful tone. He started calling the junior managers even for minute matters. Some of the staff who used to like Mr. X were upset due to his changed behavior and were trying to keep away from him resulting in less productivity and turn over in the organization.

Colleagues who were jealous of Mr. X started pointing out to the Boss that Mr. X was becoming inefficient and attributed it to negligence. When Mr. X came to know of this, he offered to quit. The boss was perplexed. So were the staffs.

#### **QUESTIONS:**

1. How can the situation be improved? With whom do you agree, Mr. X or his boss?
2. Was Mr. X justified in changing his attitude, acting upon the advice of the boss?

---

#### **9.15 REFERENCES**

---

1. Davar. *The Management process*. Mumbai: Progressive Corporation Pvt. Ltd, 2010.
2. Harold Koontz. Heinze Wehrich. *Essentials of management*, New York: MacGraw-Hill, 1993
3. J S. Chandan. *Management Concepts and Strategies*, New Delhi: Vikas Publishing House PvtLimited, 1997.
4. Chauhry Omvir, Prakash Singh. *Principles of Management*, New Delhi: New Age International Publishers, 2012.
5. Peter. Drucker. *Management of 21<sup>st</sup> Century*, New York: HarperBusiness, 2001.
6. Prasad L.M. *Principles of Management*, New Delhi: Sultan Chand & Sons, 2015.
7. Stoner J.A. and Freeman R.E. *Management*, New Delhi: **Pearson Education India, 1995.**

---

## **UNIT - 10: ORGANISATION HIERARCHY STRUCTURE**

---

### **Structure**

- 10.0 Objectives
- 10.1 Introduction
- 10.2 Meaning and definitions of organization structure
- 10.3 Importance of Organization Structure
- 10.4 Levels of managements in organizations.
- 10.5 Features of good organization structure
- 10.6 Major decisions in designing an organizational structure
- 10.7 Variable factors in designing organization structure
- 10.8 Building vertical dimension of organization
- 10.9 Building horizontal dimension of organization
- 10.9 Bases of organizational structure
- 10.11 Let us sum up
- 10.12 Keywords
- 10.13 Self Assignment Questions
- 10.14 Case Study
- 10.15 References

---

## **10.0 OBJECTIVES**

---

After reading this unit, you will be able to:

- Know the meaning and definitions of organisation structure
- Understand the importance of organisation structure.
- demonstrate about how to build horizontal and vertical dimension of organisation
- Discuss about the chain of command, span of control and delegation of authority.
- Summarise the knowledge of the bases for organizational structures.

---

## **10.1 INTRODUCTION**

---

Organization is one important element of the management process. It is next to planning. In management, organization is both the process as well as the end-product of that process which is referred to as organization structure. Such structure acts as the foundation on which the whole super-structure of management is built. Sound organization structure is essential for the conduct of business activities in an efficient manner. It is within the framework of the organization that the whole management process takes place. The success of the management process will be determined by the soundness of the organization structure. Organizing involves integration of resources in order to accomplish the objectives. Therefore, in this unit will understand the theoretical knowledge about organization, centralization and decentralization, and span of control, etc.

A structure depends on the organizations objectives and strategy. In a centralized structure, the top layer of management has most of the decision making power and has tight control over departments and divisions. In a decentralized structure, the decision making power is distributed and the departments and divisions may have different degrees of independence. A company such as Proctor & Gamble that sells multiple products may organize their structure so that groups are divided according to each product and depending on geographical area as well an organizational chart illustrates the organizational structure.

Organization structure is basically concerned with allocation of tasks and delegation of authority. Its forms differ from one enterprise to another. Thus, any one of the following forms of organization structure may be set up depending on the nature and objectives.



---

## 10.2 MEANING AND DEFINITIONS OF ORGANISATION STRUCTURE

---

Organization structure is typically hierarchical arrangement of lines of authority, communications, rights and duties of an organization. Organizational structure determines how the roles, power and responsibilities are assigned, controlled, and coordinated, and how information flows between the different levels of management.

Explicit and implicit institutional rules and policies designed to provide a structure where various work roles and responsibilities are delegated, controlled and coordinated. Organizational structure also determines how information flows from level to level within the company. In a centralized structure, decisions flow from the top down. In a decentralized structure, the decisions are made at various different levels.

A good organizational structure can often spell the difference between a smooth operating organization and one in chaos. By establishing a hierarchical structure with a clear chain of command, companies are better able to streamline their operations. levels of management in organizations.

According to **John Child** in his book Organization, there are four major components to the definition of structure:

1. It describes the assignment of tasks and responsibilities to individuals and departments in the organization.
2. It designates formal reporting relationships, including the number of levels in the management hierarchy and the span of control of each.
3. It identifies the grouping of individuals into departments and departments into the organization.
4. It incorporates the design of systems to ensure effective communication, coordination, and integration of efforts among departments and across levels of the organization.

Essentially, structure is the way work is divided and coordinated among units of the organization. The organization structure put in place by management is the formal organization.

---

### **10.3 IMPORTANCE OF ORGANISATION STRUCTURE**

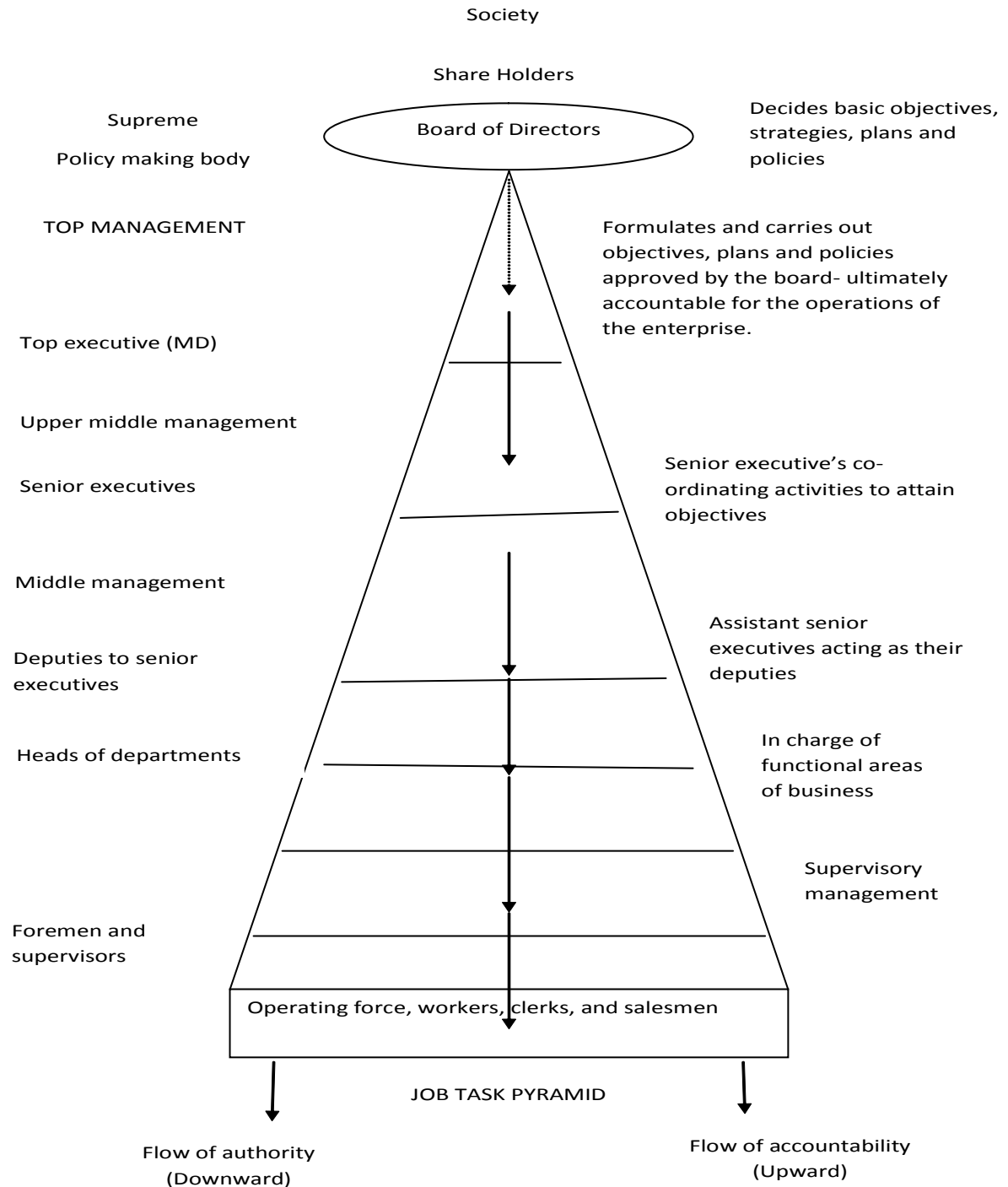
---

Organization structure is the backbone of management. Its importance lies in serving the following purposes:

1. **Avoids confusions in relationships:** Organization structure allocates authority and responsibility, and thereby, enables people to know who is responsible for what and to whom in the organization. People know who is to direct whom for what results. This removes confusion, friction and conflict among people.
2. **Leads to creativity and initiative:** Organization structure stimulates creative thinking and initiative among organizational members by providing them requisite authority to perform their assigned tasks. Authority provides right to decision making to its holder who feels motivated to take initiative in increasing and improving his team performance.
3. **Optimum utilization of resources:** allocation of resources is the core activity of organization structure. Proper allocation of resources helps in proper utilization also. Division of work and specialization are the tools used by organization to attain the objective of optimum utilization of human efforts and physical resources.
4. **Technology improvement:** A sound organization structure is flexible enough to accommodate changes in the work technology. Improved work technology modifies pattern of authority responsibility relationships and helps in improving work performance of employees.
5. **Encourage Growth of the enterprise:** Organization structure provides the framework within which an enterprise functions. A sound organization structure has the capacity to handle increased level of activity. This helps in the expansion and growth of enterprise.
6. **Facilitates management process:** Organization structure is a mechanism through which manager's plan, allocates, direct, coordinate and control the activities of people. No activity remains unattended and work is assigned to people in accordance with their skills, aptitude, level of commitment etc. this facilitates smooth operation of the management process which results in attaining enterprise goals.

## 10.4 LEVELS OF MANAGEMENT IN ORGANISATIONS

The following figure adopted by S. A. Sherlekar depicts the various levels of management in organizations.



---

## 10.5 FEATURES OF GOOD ORGANIZATION STRUCTURE

---

**1. Simple and Flexible:** An organization structure should be basically simple. The concept of the simplicity implies that various organizational relations should be kept minimum possible. An organization structure should be flexible enough so that changes can be incorporated whenever needs arise. The structure is design do not only for a time period but for a distant further also. As such continuity must be maintained in the organization structure over the period of time.

**2. Clear line of authority:** whatever the form of structure is adopted, there should be clear lines of authority running from top to bottom or in horizontal directions. The delegation of authority should be step by step and according to the nature of the work assigned. Everybody in the organization should be clear about his work and the authority delegated to him. In the absence of this clarity there will be confusion, friction and conflict.

**3. Application of ultimate responsibility:** The concepts of the ultimate responsibility suggest that although a superior manager assigns some of the work of his subordinates. He is ultimately responsible for performance of total work.

**4. Proper delegation of authority:** the concept of ultimate responsibility can work only when there is proper delegation of authority at various levels of the organization. Delegation of the authority refers to authorization a manager to make certain decisions.

**5. Less managerial levels:** as far as possible, there should be minimum managerial levels. Greater the number of managerial levels, longer is the line of communication in the chain of command and the communication has to travel along the line creating problems of the delay and distortion.

**6. Proper emphasis on staff:** line functions should be separated from staff functions and adequate emphasis should be placed on important staff activities.

**7. Provision for top management:** in corporate form of organization, it is imperative to provide some means by which the share holder and members of the board of the broad of directors participate in management process. Normally the share holders are indifferent so far as day to day management affairs of the company are concerned.

## Activity B

**Draw the organization chart of your company. Clearly mark your position in the structure and draw the lines depicting the reporting relationships between you and your immediate boss and immediate subordinate.**

.....

.....

.....

.....

---

### 10.6 MAJOR DECISIONS IN DESIGNING AN ORGANISATIONAL STRUCTURE

---

- 1. Division of labour or work specialization:** This refers to the extent to which individual jobs are specialized. Most organisations consist of specialized jobs, with workers performing different tasks. By dividing tasks into narrow specialities, managers gain the benefits derived from division of labour.
- 2. Departmentation:** It is the process of grouping jobs according to three key factors like logic, physical location, and social harmony. Departmentalization is key to the flow of work in an organisation and has become especially challenging for modern managers with far-flung, global operations.
- 3. The chain of command:** This refers to the line of authority, which extends from the top of the organisation to lowest down and which is guided by two complementary concepts authority and unity of command. This chain of command principles empowers employees to take the decisions at their level in the organisation.
- 4. Span of control:** Span of control refers to the number of people who report to one manager or supervisor. The objective in establishing span of control is to determine the optimal design i.e. wide or narrow? A wide span of control (flat organisational structure) results in a large number of workers reporting to one supervisor. A narrow span control (tall organisational structure) results in a small number of people reporting to single manager.
- 5. Centralization and Decentralization:** Centralization refers to the degree to which decision-making is concentrated to a single (centralized) position in the organisation. Typically, under a centralized setup, the top management makes the key organisational decisions with hardly any input from the lower level personnel. In contrast to this, when personnel at all levels are involved in the decision making process relevant to

their areas of operation; it indicates that the decentralization decision discretion exists. Today, in order to be flexible and more responsive, organisations are orienting towards a decentralized decision making process.

6. **Formalization:** This refers to the extent to which the jobs are formalized and standardized leaving very little choice to the employee on that, when and how the job is to be done.

---

## **10.7 VARIABLE FACTORS IN DESIGNING ORGANISATION STRUCTURE**

---

While designing an organization structure, management has to consider various factors. These factors are discussed as follows:

1. **Goals of the business:** The objectives of the business have an influence on the organization structure. The objectives or goals mean what the organisation seeks to achieve. The nature of the tasks and their grouping into different departments depend on the goals to be achieved. Changes in the goals of the enterprise require the changes in the organisation structure.
2. **Nature of business:** The nature of business is another determinant of organisation structure. The organisation may be either a business concern or service organisations different the business concerns different types of organisation structure.
3. **Form of organization:** Form of organisation implies whether the business concern is a joint stock company, a cooperative society or a partnership firm. A co-operative society started on domestic principles cannot be organised like a joint stock company which is a profit making organisation.
4. **Size of the organization:** The size of the organization is determined in terms of number of employees, scale of operations and the amount of capital invested. The size of the business and its structure are closely related. Large organisations tend to have more specialization, more standardization and more formality compared to small organisation.
5. **External environment:** Environment in which an organisation operates directly influences the organisation structure. Every organization is functioning in economic, political, cultural, legal and technological environment. Large organisations which operate in a rapidly changing environment must design adaptive and flexible organisation structure. For a stable environment where rules and regulations, job and relationships are fixed and clearly defined and mechanistic structure is more suitable.

- 6. Technology:** Technology is another factor influencing the design of an organisation structure. Technology refers to the way in which the work is performed and the system of production. If technology is routine and simple, organisation structure may be simple. In other words if technology is more complex large number of workers, managers and managerial levels, more supervision and coordination is needed and ultimately lead to complex organization structure.

---

## **10.8 BUILDING VERTICAL DIMENSION OF ORGANISATION**

---

The organizational pyramid gives us vertical dimension. Delegation of authority based on span of control creates multiple levels of management or organization. Narrow span of control creates more levels in the organizational hierarchy and numerous levels in the hierarchy are centralized, or closely controlled. We also have a tall organization pyramid when there are multiple levels of management. On the other hand when we have a wide span of control, there are fewer levels of management and the organization is decentralized, or loosely controlled wide span of control also gives us flat organizational pyramid. Now let us see some of the aspects of vertical dimension.

### **a. Chain of Command:**

The chain of command, sometimes called the scalar chain, is the formal line of authority, communication and responsibility within an organization. The chain of command is usually depicted on an organizational chart, which identifies the superior and subordinate relationships in the organizational structure. According to classical organization theory the organizational chart allows one to visualize the lines of authority and communication within an organizational structure and ensures clear assignment of duties and responsibilities. By utilizing the chain of command, and its visible authority relationships, the principle of unity of command is maintained. Unity of command means that each subordinate reports to one and only one superior.

The order in which authority and power in an organization is wielded and delegated from top management to every employee at every level of the organization. Instructions flow downward along the chain of command and accountability flows upward.

According to its proponent **Henri Fayol (1841-1925)**, the clearer the chain of command, the more effective the decision making process and greater the efficiency. Military forces are an example of straight chain of command that extends in unbroken line from the top brass to ranks. Also called as line of command.

Regardless of the degree of control or results achieved, and regardless of how the hierarchy is justified and rationalized, certain aspects of a command hierarchy tend to be similar:

- rank - especially military rank - “who outranks whom” in the power structure
- strict accountability - those who issue orders are responsible for the consequences, not those who carry them out
- strict feedback rules - complaints go up the hierarchy to those with power to deal with them, not down to those who do not have that power
- detailed rules for decision making - what criteria apply and when
- standardized language and terminology
- some ethics and key beliefs in common, usually enforced as early as recruiting and screening of recruits

**b. Authority and Responsibility:**

Organisation is a structure of authority and responsibility relationships. It consists of different positions arranged in a hierarchy. The hierarchy is an arrangement of superior and subordinate relationship with clear definition of authority and responsibility of each position. The term authority refers to the rights inherent in a managerial position to give orders and expect the orders to be followed. The term responsibility refers to an obligation to perform assigned activities. According to classical management writers, authority has flowed from the top of the organisation to the bottom, from the owner or stockholders to the board of directors to the president to the presidents to middle managers to supervisors to workers.

**c. Span of Control:**

After Departmentalization and Division of Labour, the third main consideration of any organizing effort is Span of Management – the no. of individuals a manager supervises. The more individuals a manager supervises, the greater the span of management. Span of management is also called the span of control, span of authority, span of supervision and span of responsibility. The central concern of span of management is to determine how many individuals a manager can supervise effectively. To use the company’s human resources most productively, managers should supervise as many individuals as they can best guide towards meeting the organization’s targets.



The traditional view point of management holds that the ideal number of subordinates reporting to any one manager should be no fewer than four and no more than twelve. The following figure gives some idea about the span of control.

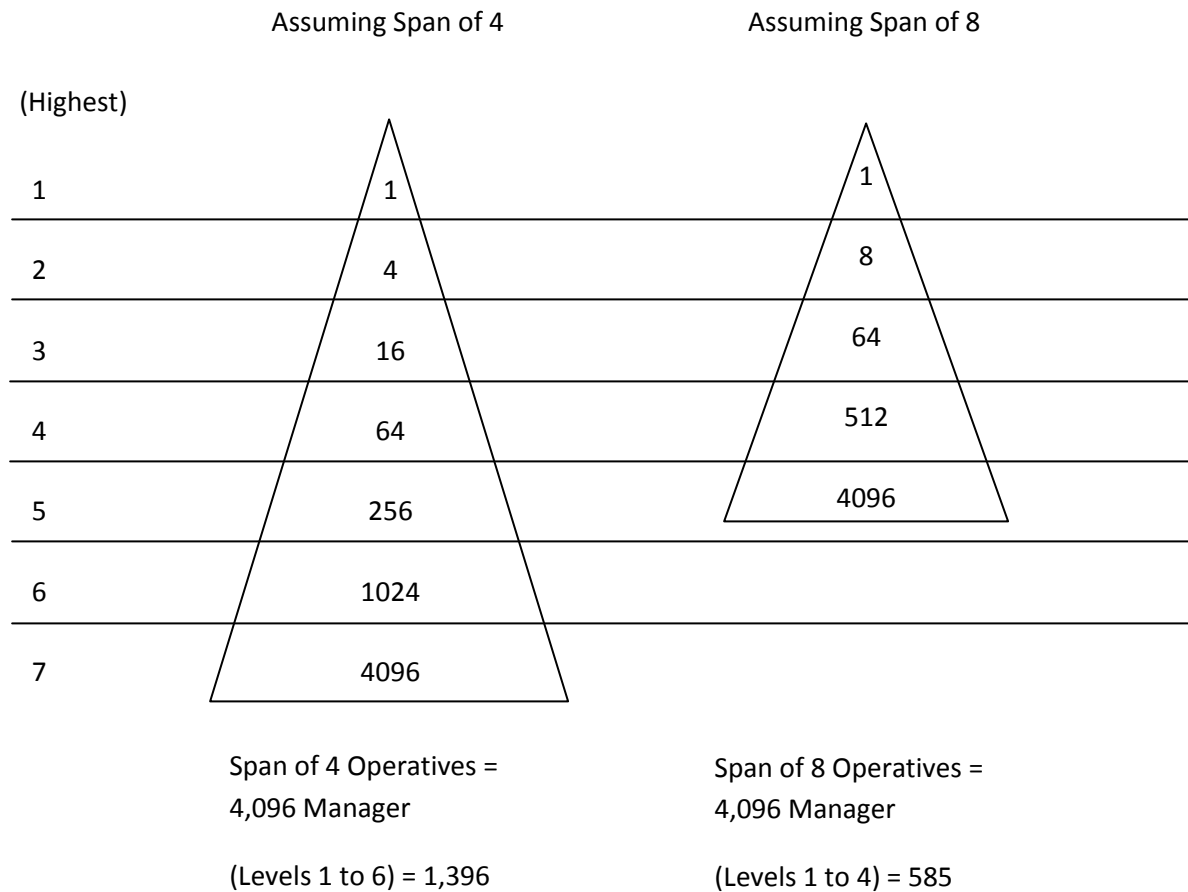


Figure 4.1: **Contrasting span of Control**

Although there is no correct number of subordinates that a manager can supervise effectively. Let us consider four of the key factors that may influence the span of control in any situation.

**Factors influencing span of control:**

The principles of the span of management states that there is a limit to the number of subordinates a manager can effectively supervise, but the exact number will depend on the impact of underlying factors.

- i. Qualification and Qualities:** This principle of span of management emphasises that, if the superiors and subordinates are well-qualified, trained, experienced, and if they are experts in their jobs then the span of control will be wide and vice-versa.
- ii. Level of Management:** The research has revealed that the sizes of an effective span varies with the organisation level. In a major study, researchers developed and tested a model taking organisation level as one of the variables. They concluded that the degree of specialisation of individuals was the most prominent factor affecting the span of control. If the superiors are working at the top level management, then they have more responsibilities. Therefore, their span of control will be narrow and vice-versa.
- iii. Nature of Work:** In case of routine and repetitive operations, span can be wider as subordinates would not require frequent guidance from the supervisor. For this type of work, managers can lay down permanent policies to control large number of subordinates. Routine problems take lesser time than the expectations unusual type of problems.
- iv. Superior - Subordinates Relationship:** If there are good relations between the superior and subordinates, then the span of control will be wide and vice-versa.
- v. Degree of Centralization:** Under decentralization, the superior has to take fewer decisions. Therefore, he can have a wide span of control. However, under centralization, the superior has to take many decisions. Therefore, he should have a narrow span of control.
- vi. Use of Communication Technology:** The span of management is also influenced by the effectiveness of the communication techniques used. If face-to-face communication is used to convey plan, instruction and order personally to subordinates, then the span of control will be narrow. However, recent technological advances have made it possible to get tasks done with fewer subordinates. Most modern offices are equipped with fax, teleconferencing, internet and networking facilities. These modes of communication help save the managers time and enhance his span of control.
- vii. Financial position of the Organization:** If the organisation has a good financial position, then it can have a narrow span of control. This is because a narrow span requires more managers. More managers will increase the compensation or wage bill of the organisation. However, if the organisation has a bad financial position, then it will be forced to have a wide span of control.

- viii. Clarity of Plans and Responsibilities:** Much of what a subordinate is expected to do depend on the plans that are to be implemented. If the plans are clear, workable, and if the responsibilities are well-defined, then the span of control will be wide. This will enable the subordinate to clearly understand what is expected of him or her. This is because the subordinates will not have to go and consult their superior repeatedly for getting orders and guidance.
- ix. Faith and Trust in Subordinates:** If the superior has good faith, trust and confidence in his subordinates then the span of control can be wider.
- x. Use of Objective Standards:** Managers should get adequate feedback from their subordinates to find out if the subordinates have understood the plans and are following them. This feedback may be obtained either by personal observation or through objective standards. Well-designed objective standards show if there has been any deviation from the plans. They help a manager avoid time consuming contacts and pay attention to those aspects that are very important for the successful implementation of plans.

As reported by Harold Koontz, several important situational factors influence the appropriateness of the size of an individual's span of management:

- i. Similarity of functions:** The degree to which activities performed by supervised individuals are similar or dissimilar. As the similarity of the subordinate's activity increases, the span of management increases and vice versa.
- ii. Geographic continuity:** The degree to which subordinates are physically separated. In general, the closer subordinates are physically, the more of them managers can supervise effectively.
- iii. Complexity of functions:** The degree to which worker's activities is difficult and involved. The more difficult and involved the activities are, the more difficult it is to manage a large no. of individuals effectively.
- iv. Coordination:** The amount of time managers must spend synchronizing the activities of their subordinates with the activities of other workers. The greater the amount of time must be spent on such coordination, the smaller the span of management can be.
- v. Planning:** The amount of time managers must spend developing management system objectives and plans and integrating them with the activities of their subordinates. The more time managers must spend on the planning activities, the fewer individuals they can manage effectively.

## Activity C

**Assume that your friend is interested in your company's span of control strategy. If he requests you to send detail information about span of control, then how do you write a report? Explain in detail.**

.....

.....

.....

.....

### **d. Centralization and Decentralization:**

Centralization and decentralization of authority are basic, overall management philosophies of delegation, that is of where decisions are to be made. Centralization refers to the extent to which authority is concentrated at the top of the organization. Decentralization implies transfer of authority and decision making power to the lower levels of management. Decentralization is an approach that requires managers to decide what and when to delegate, to select and train personal carefully, and to formulate adequate controls. Neither centralization nor decentralization is absolute in an organization. No one manager makes all the decisions even in a highly centralized setting. Total delegation would end the need for middle and first line managers. Thus there are only degrees of decentralization and decentralization. In most organizations, some tasks are relatively centralized and others are relatively decentralized.

A variety of factors can affect management's decisions to centralize or decentralize authority in various areas of decision making.

- i. Cost decisions:** cost is perhaps the most important factor in determining the extent of centralization. As a general rule, the more costly the outcome, the more likely top management will make the final decision.
- ii. Uniformity of policy:** managers who value consistency favour centralization of authority. These managers want to assure customers that everyone is treated equally in terms of quality, price, credit, delivery and service.
- iii. Competency levels:** many organizations work to ensure a adequate supply of competent managers and employees an absolute necessity for decentralization.

- iv. Control mechanisms:** even the most avid proponents of decentralization insist on controls and procedures to avoid mistakes and to determine whether actual events are meeting expectations.
- i. Environmental influences:** External factors affect the degree of centralization in an organization. For example, laws and government regulations regarding hours, wages, working conditions, and safety make it difficult to decentralize authority in those areas.

Advantages of Centralised Structure for organisations are many. The advantages of decentralisation are the limitations of centralisation. For example, senior managers enjoy greater control over the organisation, the use of standardised procedures can result in cost saving, decisions can be made to benefit the organisations as a whole. Whereas a decision made by a department manager may benefit their department, but disadvantage other departments, the organisation can benefit from the decision making of experienced senior managers, and finally in uncertain times the organisation will need strong leadership and pull in the same direction. It is believed that strong leadership is often best given from above.

Advantages of Decentralised Structure for Organisations are also many. The advantages of centralisation are the limitations of decentralisation. For example, senior managers have time to concentrate on the most important decisions (as the other decisions can be undertaken by other people down the organisation structure, decision making is a form of empowerment. Empowerment can increase motivation and therefore mean that staff output increases, people lower down the chain have a greater understanding of the environment they work in and the people (customers and colleagues) that they interact with. This knowledge skills and experience may enable them to make more effective decisions than senior managers; Empowerment will enable departments and their employees to respond faster to changes and new challenges. Whereas it may take senior managers longer to appreciate that business needs have changed, and Empowerment makes it easier for people to accept and make a success of more responsibility.

---

## **10.9 BUILDING THE HORIZONTAL DIMENSION OF ORGANISATIONS**

---

An organization structure has more than a vertical dimension that focuses on the integration and co-ordination of work activities between organizational levels. It also has horizontal dimension that looks at how work activities are organized at each specific level of the organization.

### **a. Division of Labour:**

The term division of labour was used by the economist and philosopher Adam Smith in the late 1700s. Division of labour is the process of breaking a large task into components an individual or group can accomplish and designing them specifically so they can be coordinated and the organizations goals can be achieved. Restaurants provide a simple illustration of how organizations goals must be vary their division of labour according to their goals. Each restaurant has a number of tasks that must be performed. For example, greeting customers, taking drink, and food orders, transferring food orders to cooks, delivering food and drinks to customers, cleaning the tables, calculating a bill, delivering a bill, collecting money, and preparing the table for the next customers.

The work of specialization allows an employee to master a task in the shortest time with a minimum of skill. It allows human labour to become interchangeable, which contributes greatly to organizational efficiency. There are a number of other efficiencies achieved through division of labour. Efficiency is exhibited in reducing time spent in changing tasks, in putting away one's tools and equipment from a prior step in the work process and in getting ready for another. These inefficiencies are eliminated through specialization. Additionally, training for specialization is more efficient from the organizational perspective.

### **b. Departmentalization:**

Each organization has its own specific way that it classifies and group work activities. This process of grouping individuals into separate units or departments to facilitate the accomplishment of organizational goals is known as departmentalization. Departmentalization subdivides work into jobs and tasks and assigns them to specialized units within an in organization. It includes dividing the standards for the performance of jobs and tasks. L. A. Allen defined departmentalization as “a means of dividing a large and monolithic functional organization into smaller, flexible administrative units”.

Departmentalization has important implications for organizational performance and effectiveness. It helps in increasing the efficiency of the organization in many ways. For example, departmentalization enables to get the advantages of division of labour and specifications, provides for fixation of standards for performance of each of department and individuals, enables the managers to take decisions independently and learn new managerial skills, creates semi-autonomous units and managers are free to take operative decisions concerning their department without consulting their superior, and finally it

helps in assessing the size, skills and capabilities of the personnel required to various departments.

There are few recognized and accepted bases of departmentation. For example, functional base, product base, customer base, geographic base, and process base.

### Activity D

**Identify and explain the various blocks of vertical organization structure and horizontal organization structure. Draw a beautiful figure and identify these blocks in figure.**

.....

.....

.....

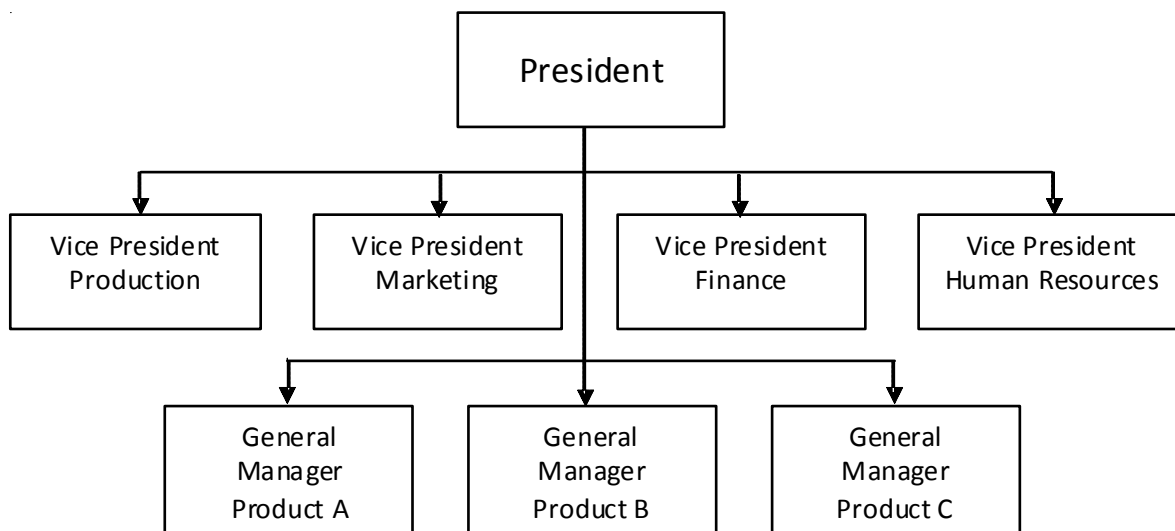
.....

---

## 10.10 BASES FOR ORGANISATION STRUCTURE

---

**a. Product Structure:** A product organizational structure creates a structure cantered on the company's product lines. Companies with multiple product lines or specific retail divisions can benefit from a product-style organizational structure

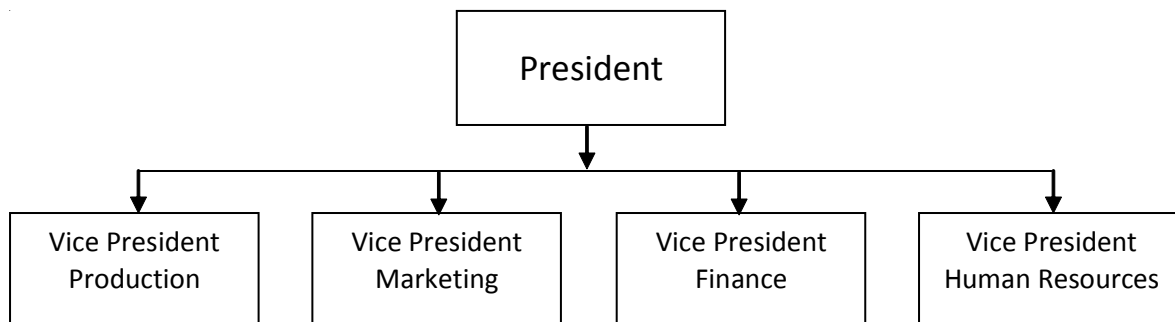


This allows the company to create a tall structure divided by product type or style. Each division has its own internal departments and operates like a mini-business.

Using a product organization structure is most common in companies such as retail stores. These organizations will separate out their products by group, such as apparel, appliances, food or electronics. This helps owners and managers run their operations more efficiently.

A significant downside to a product organizational structure is that it can segment the company into divisions that do not work together. Managers may compete with each other in an unhealthy manner that inhibits the natural growth of the business or its ability to achieve goals.

**b. Functional Structure:** It is the organizational structure that is based on the functions of the units and sub-units of activities. Every organization has specialized functions and they constitute as separate units of the organization.

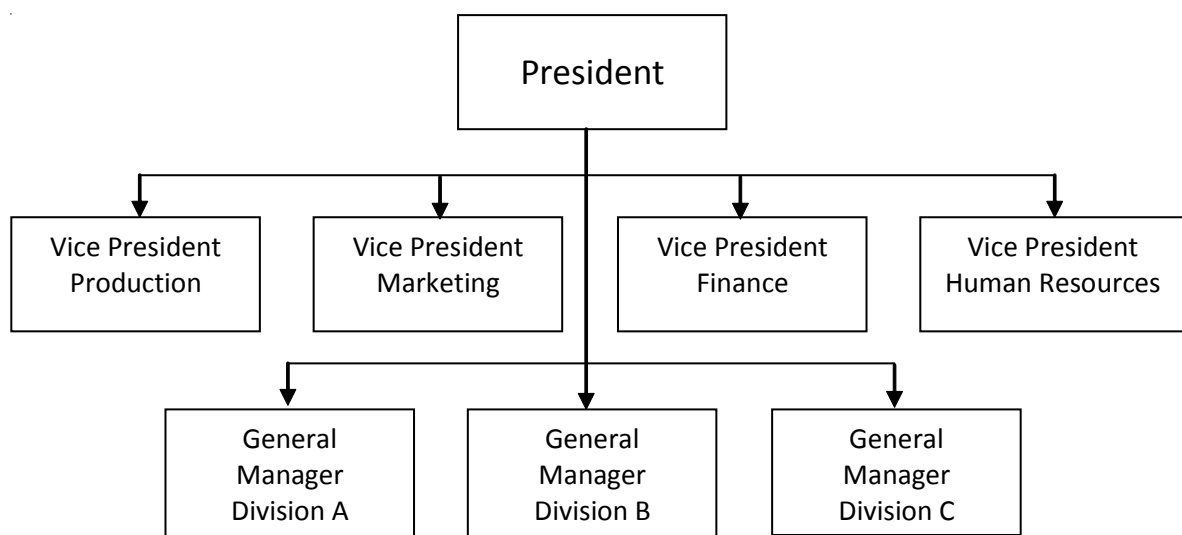


It is the organizational structure that is based on the functions of the units and sub-units of activities. Every organization has specialized functions and they constitute as separate units of the organization. The entire activities that are connected with such functions are placed in the same unit. The increase in volume of activity results in addition of number of persons under each manager at various levels. It also results in the increase of sub-units that are created at lower levels in each unit. It finally results in the inter-related positions taking the shape of a pyramid. Its major significance is that there is functional specialization in each unit. It leads to operational efficiency of the persons engaged in the organization. The organization also gets the benefit of specialized operations. This type of arrangement is well suited for small and medium size organization. It becomes incompetent while handling problems of an organization as it grows in size and complexity. When there are diverse trends of activities performed in



large number of sub-units, it become difficult to manage. In such type of arrangements, the probability of lack of communication and coordination and control arises that leads to problems in the organization.

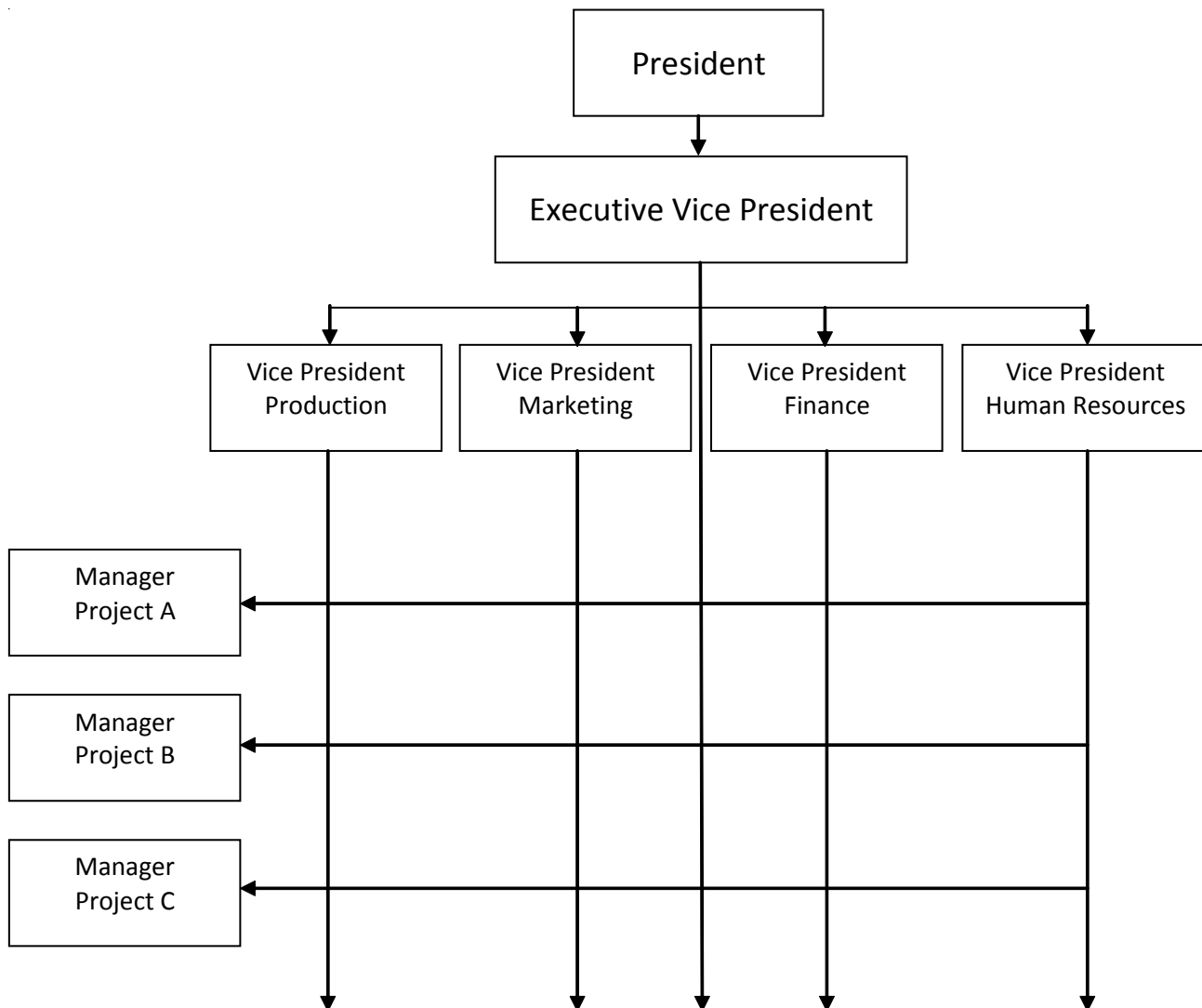
**c. Divisional Structure:** This type of structure is well suited for large enterprise. It works effectively to those large enterprises that deal in multiple products serving many distinct markets. The division of organization takes place into small business units that are entrusted with business related to difficult products or different market territories.



This type of structure is well suited for large enterprise. It works effectively to those large enterprises that deal in multiple products serving many distinct markets. The division of organization takes place into small business units that are entrusted with business related to difficult products or different market territories. All the divisional managers are given authority and autonomy to run all function relating to their respective products or marketing segments or regional markets. Each division contributes planned profits to the organization but works as independent business. Managers head the functional units while divisional managers take the final authority. In this type of arrangement, top management determines the organizational goals and formulates policies. This type of structure is characterized by the decentralization of authority. It enables managers to take decision promptly and helps them resolve problems that are related to their respective divisions. Divisional managers are provided with opportunities to take initiative in matters that are within their jurisdiction. Its demerits are that it involves heavy financial costs due to the duplication of supporting functional units for

the divisions. It also demands adequate number of potential managers taking charge of their respective divisions and their respective functional units.

**d. Matrix Organization:** It aims to combine the advantages of autonomous project organization and functional specialization. In this structure functional departments are having full time specialized workers to accommodate and are capable of handling more than one project at a time. This is found suitable as the organization is most of the time engaged in the project activities and the managers are also more in number and can accomplish the project work effectively. It provides for the flexible system of working as it adapts the changes quickly. The demerit of such organizations is that the employees are engaged in dual jobs and are burdened with more work which affects the unity of command at times in the organization.



**e. Team-based structure:**

Here the total organization is made up of teams or work groups which perform the organization's work. Employees feel more involved, empowered and motivated. It reduces frictions among functional areas. Though chain of command maybe a problem. To make team-based structures successful, the employees need to be trained to work as group members, acquire cross-functional skills and a matching compensation.

**f. Boundary less Organization:**

An organization whose design or structure is not limited to, or not defined by, the horizontal, vertical or external boundaries imposed by a predefined structure is known as boundary less organization. The historical boundaries are blurred by increasing an organization's interdependence with its environment. The boundary less organization doesn't bother of job specialization, chain of command or span of management and replaces departments with empowered teams. To eliminate these boundaries managers might use virtual organization, network organization, modular organization and learning organization.

The one common technological thread that makes the boundary less organization possible is a networked computer. They allow people to communicate across intra-organizational and inter-organizational boundaries. Electronic mail, for instance, enables hundreds of employees to share information simultaneously and allows rank and file workers to communicate directly with senior executives.

**g. Virtual Structure:**

A small, core organization that outsources major business functions is called a virtual organization. This organization structure is based on the concept of "why own when you can rent?" This structure is also called as network organization or modular organization. In structural terms, this structure is likely centralized, with little or no departmentalization. The virtual organizations create networks of relationships that allow them to contract out manufacturing, distribution, marketing or any other business function when management feels that others can do it better or more cheaply. This structure stands in sharp contrast to the typical bureaucracy that has many vertical levels of management and where control is sought through ownership. In such organizations, research and development are done in-house, production occurs in company owned plants, and sales and marketing are performed by the company's own employees. To support all this, management has to employ extra personnel including accountants, human resource

specialists, lawyers, etc. the virtual organization, however, outsources many of those functions and concentrates on what it does best.

The major advantage of this structure is its flexibility. Such companies allow someone with an innovative idea and little money, to successfully compete against large companies. The primary drawback to this structure is that it reduces management's control over the key parts of its business.

**Activity:**

**Draw charts of different types of organizational structures and explain the main features of these structures over others and also explain the applicability of these inorganisations.**

.....

.....

.....

.....

---

**10.11 LET US SUMUP**

---

Organizing refers to the process of determining the tasks to be done, who will do them and how those tasks will be managed and co-ordinated. It is an interactive and organizing process that occurs throughout the life of the organization. The organization hierarchy includes both vertical and horizontal dimensions. Building the vertical dimension of organization includes unity of command, authority and responsibility, span of control, centralization and decentralization. Building the horizontal dimension include division of labour and departmentalization. There are different approaches to organization structures like product structure, functional structure, divisional structure, Matrix structure, team based structure, boundary less organization structure, and Virtual structure. While designing an organization structure management has to consider various factors like goals of the business, nature of business, form of organization, size of organization and external environment.

---

## 10.12 KEY WORDS

---

1. **Organisational structure:** It is an established pattern of relationships among the component parts of an organisation.
2. **Work specialization:** It is the extent to which tasks can be divided into separate jobs.
3. **Departmentation:** It involves clubbing the group jobs together so that common tasks can be coordinated.
4. **Chain of Command:** It is the line of authority with the unity of command principle, which flows from the top to the bottom clearly indicating who will report to whom.
5. **Span of control:** It is the ideal number of subordinates that a manager can effectively and efficiently direct.
6. **Formalization:** It is the extent to which jobs within the organisation are standardized, with little discretion over what is to be done, when it is to be done and how the job is to be done.

---

## 10.13 SELF ASSIGNMENT QUESTIONS

---

1. What is the importance of an organisational structure? Explain its need and the elements in its formation.
2. Distinguish and differentiate between product structure and functional organisational structure.
3. Explain the main decisions in organisational structure process.
4. Explain the types of structures.
5. What is meant by span of control? State the factors influencing the span of control.

---

## 10.14 CASE STUDY

---

### CASE STUDY-A:

John and Peter are working in an engineering organization, a reputed one, where excellence goes hand-in-hand with every new imperative flexibility. By laying down its clear-cut policies and procedures and corporate plans, this organization has earned the name of one of the best managed companies always striving for excellence by keeping itself abreast of the developments in the endlessly changing world.

During the recent review of the functioning of one of the departments headed by Peter, it was discovered that his department had been continuously showing declining trend in terms of meeting the targets fixed for them and the problems of high rate of turnover/absenteeism came to light. Majority of the subordinates working under Peter were dissatisfied with their job and were feeling frustrated and depressed over the way they were being handled by him. There was a break-down of communication and innumerable complaints about the rude behaviour of Peter started pouring in. Peter, on the other hand, had been in this department for the last so many years and was in the habit of treating his subordinates in the traditional style. The situation started aggravating day-by-day. The workers under Peter had to take the shelter of unions for airing their greivences and the management was naturally disturbed over the state of affairs and could no longer afford to be a silent spectator. Search for a suitable replacement of Peter was accordingly initiated and John was identified for the purpose.

John was selected for replacing Peter as he possessed the skills of managing different types of people under different situations. His acceptability and creditability have all along been of the highest order.

Initially, of course, it was a painful surprise for John for this sudden change and as it always happens any change in status quo affects people and John was no exception. However, John moved in the department and was soon able to overcome initial difficulties. With his concerted efforts and sincerity of purpose, he was soon able to create a strong trust-bond with his subordinates. He gave them a free hand in setting time-bound goals for themselves. The subordinates were by then participating in arriving at the vital decision in regard to their production and productivity. A very cordial and harmonious atmosphere prevailed upon in this department under John. All this naturally resulted in ‘a blessing in disguise’ both for the management and the workers in as much as that this department paved the way in improving the climate and culture of the organization.

#### **QUESTIONS:**

1. Identify the issues involved in the above case?
2. What in your opinion could be the causes for replacement of Peter and the secret of success of John in the so-called difficult department?
3. Do you agree with the statement that “a true manager should know the art of managing his people?” Comment?
4. “Developing an effective team having healthy interpersonal relationship is the need of the hour”. Please comment.

## **CASE-B:**

R and Company Ltd. Is an organization having a total strength of about 2000 employees. It has a personnel officer for the factory having 300 workers and a Director (personnel) at the corporate office. There is one Union commanding a good membership.

On a particular day, the Union office bearers wanted a meeting with the personnel officer but the personnel officer stated that he would meet the union office bearer only on the nominated days as per the existing rules. The union argued that they wanted an immediate meeting on an issue, which they considered very urgent. The personnel officer said he would meet the branch secretary or assistant secretary to sort out the urgent issues, if any, but the union brought about twenty members with them. The personnel officer refused and the members started to agitate by slogan shouting and disturbing the work.

The personnel officer wanted to take action and curb attitude of indiscipline and hence sought the assistance of Director (Personnel) on the phone. The director permitted the personnel officer to go ahead and take action. Meanwhile, on his return to the site of action, the personnel officer found the agitators returning back. He allowed matters to rest at that.

Nest day the Director (personnel) wanted to know the position and action taken and the personnel officer stated that the matter had been settled by compromise.

The director got annoyed on the discipline having been given a 'go by' and asked for the explanation of the personnel officer. The personnel officer explained that the 'Line manager' had intervened and settled the matter during his absence of a few minutes to talk to the director (personnel). The director was not satisfied and the personnel officer was perplexed.

## **QUESTIONS:**

1. Whether the personnel officer was right in asking for advice and then not following advice of his chief?
2. Was it right on the part of line manager to intervene?
3. Now that the personnel officer has informed the Director (personnel) that the line manager has intervened, will the relation between line and staff get alerted?

---

## 10.15 REFERENCES

---

1. Davar. *The Management process*. Mumbai: Progressive Corporation Pvt. Ltd, 2010.
2. Harold Koontz. Heinze Weihrich. *Essentials of management*, New York: MacGraw-Hill, 1993
3. J S. Chandan. *Management Concepts and Strategies*, New Delhi: Vikas Publishing House Pvt Limited, 1997.
4. Chauhry Omvir, Prakash Singh. *Principles of Management*, New Delhi: New Age International Publishers, 2012.
5. Peter. Drucker. *Management of 21<sup>st</sup> Century*, New York: HarperBusiness, 2001.
6. Prasad L.M. *Principles of Management*, New Delhi: Sultan Chand & Sons, 2015.
7. Stoner J.A. and Freeman R.E. ***Management, New Delhi: Pearson Education India, 1995.***
8. Richard L. Daft. *Management*, Massachusetts, United States: Cengage Learning, 2013.
9. S.K. Mandal. *Management: Principles and Practice*, Mumbai: Jaico Publishing House, 2011.



---

## **UNIT - 11: DEPARTMENTATION AND DELEGATION**

---

### **Structure**

- 11.0 Objectives
- 11.1 Introduction
- 11.2 Meaning and definitions of departmentation
- 11.3 The purpose and importance of departmentalization
- 11.4 Bases of Departmentation
- 11.5 Principles of Departmentation
- 11.6 Principles of Delegation
- 11.7 Features of Delegation
- 11.8 Defference between Delegation and Decentraligation
- 11.9 Principles of Delegation
- 11.10 Principal Tasks of Effective Delegation
- 11.11 Advantages of Effective Delegation
- 11.12 Disadvantages of Delegation
- 11.13 Let us sum up
- 11.14 Keywords
- 11.15 Self Assignment Questions
- 11.16 Case Study
- 11.17 References

---

## **11.1 OBJECTIVES**

---

After reading this unit, you will be able to:

- Understand the meaning of departmentation
- Define and state the meaning and definitions of delegation
- Examine the purpose and importance of the departmentation
- Explain the principles of delegation
- Distinguish between formal and informal delegation.
- Discuss about the advantages and disadvantages of delegation.
- Summarise the features of delegation.

---

## **11.1 INTRODUCTION**

---

It is established fact that there is a limitation on the number of personnel an enterprise or a supervisor can directly control. This limitation of control restricts the size of the enterprise unless it divides and groups its activities into departments. Departments comprise a framework for an organization and enable it to expand indefinitely. Department aims at specialization of activities for efficient performance; simplifying the task of management within a workable span; and maintaining coordination and control of various activities. In this unit, we will acquaint you with the concept of organization delegation. In order to provide you some general ideas, we shall first explain the concept of departmentation. With a view to facilitate your understanding about the nature of delegation, we shall explain the various elements of delegation. We shall also highlight the process involved in effective departmentation in order to have a sound delegation system.

---

## **11.2 MEANING AND DEFINITIONS OF DEPARTMENTATION**

---

Departmentation represents the pattern of grouping activities. Similar activities intimately related with a distinct function are grouped together to form departmentation. It is concerned with horizontal organization on any one level of hierarchy. It aims at achieving unity of direction, effective communication, coordination and control.

Departmentation may be defined as “the process of dividing the work and then grouping them into units and sub-units or departments for the purpose of administration”.

According to L.A. Allen” departmentation is the means of dividing a large and monopolistic functional organization into smaller, flexible, administrative units”. Departmentation is the grouping of homogeneous activities into one organization unit on the basis of special and contiguous nature of activities.

Departmentation should be based on analysis of activities so that similar activities are grouped together.

Drucker provides three broad areas for grouping activities

- i. Key activities should never be subordinated to secondary activities
- ii. Revenue producing activities should never be subordinated to non-revenue producing activities
- iii. Support activities should never be grouped with result producing and result contributing activities.

---

### **11.3 THE PURPOSE AND IMPORTANCE OF DEPARTMENTALIZATION:**

---

The main purpose of departmentalization is to administer the enterprise in the best possible manner. It aims at scientific distribution of work of the enterprise among different sections and their personnel’s in a manner in which their work can be supervised, guided, controlled, and coordinated to the maximum advantage of the organization and to the benefit of the personnel who are on the operation line. Departmentalization seeks diffusion of authority and responsibility aiming at the attainment of the goal of the enterprise in a manner in which it stands benefitted. It is an easy and simplified appraisal of the efforts to achieve the most important purpose of departmentalization. It is for this purpose the work and personnel’s are divided to groups and sub-groups known as departments.

Departmentalization is an important process in an organization function. Departments increase the efficiency of the enterprise. The following are the main advantages of departmentalization from which the importance of departmentalization may be judged.

- a. Departmentalization leads to the benefits of specialization as various organizational activities are grouped according to their relation with specific functions or objectives. Every departmental manager specializes in the tasks assigned to him.
- b. The efficiency of the organization increases with division of sub-division of work and the personnel’s. With such a division one is in know of his précised duties,

responsibilities and authority. Well defined duties and responsibilities help in motivating the workers to put a better performance and get the enterprise marching ahead.

- c. Departmentation helps in effective managerial control because the standards of performance for each and every department can be laid down precisely. Every department has a separate objective. This also facilitates taking the various expenditures within limits.
- d. In this organization as the duties are well defined and responsibilities are clearly mentioned it is easy to know and fix the responsibility for any erroneous work.
- e. Assignment of work according to skill, knowledge, training, experience and aptitude is the motto of departmentalization. This brings specialization in a field. It also brings standardization to both job and the product.
- f. The duties, responsibilities and authority are well defined before departmentalization takes place. This obviously helps not only in fixing the responsibility but also in evaluating the work carried on by an individual or a group of individuals or the department as a whole.
- g. Budgeting according to departments help in controlling the finance effectively. In this way economy can also be administered in every sphere of activity of the enterprise through its different departments.
- h. Departmentation helps in the development of managerial personnel by providing them opportunities to take independent decisions and initiative. The executives can develop themselves for promotion to higher jobs.

---

#### **11.4 BASES OF DEPARTMENTATION**

---

The activities of an organization can be grouped into departments on any of the following bases:

- a. Function:** Departments can be created on the basis of functions like production, sales, personnel, finance, etc. This is the most popular basis of departmentation. It results into creation of units, each one of which deals with functionally similar activities. Though functions differ from organization to organization, key functions in a manufacturing organization are production, marketing, finance and personnel. Top management assign the function to people who can perform them effectively.

- b. Product or Service:** Large companies with different product lines can set up separate departments for each product or service that it produces or provides. Specialized product knowledge and fixing of specific responsibilities are the merits of this division. This is also called divisionalization. The main advantage is, it permits specialization of production facilities, technical skills and knowledge and also it helps in overcoming diseconomies of size and makes possible the functioning of big conglomerate engaged in the production and marketing of a wide variety of products.
- c. Customers:** Departmentation may be done on the basis of the customers of the concern. A marketing company may have separate departments to cater to the wholesalers, retailers, mail order customers, etc. Thus, by doing so, it can focus on the special customer and it also focus on the need to employ personnel with special ability required for meeting different customer requirements.
- d. Location:** This is also called territorial division or departmentation. A company may have separate departments to serve the southern region, northern region, etc. It has the advantage of the intimate knowledge of local conditions.
- e. Time:** When a working unit called a department works in different shifts, for each shift the working unit or department may be separate. It is useful for production departments, public utilities, and restaurants. Different units create similar functions. In such cases efforts should not be made to group specialized activities working only normal times and others discharging their duties during extra hours.
- f. Process:** Different departments can be created on the basis of functional processes, e.g., bleaching department, drying department, printing department, etc. It facilitates coordination by grouping production facilities needed for the completion of each distinct phase in the flow of work and utilizes specialized equipments and skills effectively. Adopting this basis it puts full responsibility on head of each process department for completion of each stage in the process.
- g. Combination:** One or more bases can be adopted to constitute a department according to the necessity of the organization. It may be a mix of functional and product or functional and process (steel companies).

However, to fulfill the organizational objectives, management has to consider certain factors in designing any of the departmental structure.

- The first basic thing is, it should facilitate control and should be thought of in terms of effectively regulating and evaluating the different activities of the understanding.

- The mechanism of coordination should be inbuilt in the structure of the organization itself so that departmentation does not create any problems of coordination.
- Departmentation should not imply excessive cost of operation. The benefits arising from departmentation should outweigh the additional expenditure to be incurred in exacting departments.
- Persons should be trained to man the departments. If necessary new staff who are qualified and competent to manage independently should be recruited. Follows up-control channels have to be provided to get feedback on and personnel matters. All these require adequate administrative preparation before understanding the process of departmentation.

**ACTIVITY:**

**Explain the different bases of departmentation with diagrams.**

.....

.....

.....

.....

---

**11.5 PRINCIPLES OF DEPARTMENTATION**

---

- Specialization:** This is the most important factor for grouping activities. Activities should be divided and grouped in a way that the similar activities are under one department. This helps in using the advantage of specialization. Specialization may be functional or by products.
- Control:** Departmentation should be able to facilitate control as effectively as possible. There should be a clear break-up between two departments so that responsibilities can be fixed clearly. Territorial departments may be established in such a way that the performance of one can be checked by comparison with other.
- Coordination:** Activities which differ quietly should be grouped together under one executive because they need to be coordinated.
- Attention:** The activities which are basic to the success of an enterprise should be given greater attention than others and be placed in a separate division.
- Local Conditions:** Departments should be created in such a way that local conditions like personalities of individuals who will man the organizations or the pattern of

informal relationships among people or the need to combine activities in full time job must be given due consideration.

- f. **Economy:** The cost of creation of department should be weighed against the benefits of its creation.

---

## 11.6 PRINCIPLES OF DELEGATION

---

1. **Specialization:** Departmentation automatically provides the benefit of division of labour and specialization. It increases the efficiency and performance level of the organization. All the specialized skills and individual talents can be fully utilized by creating specialization through departmentation.
2. **Determining responsibility:** Departmental heads should be free to take decisions for the smooth and effective performance of their units. At the same time, responsibility will also have to be fixed for their performance.
3. **Coordination:** The departmentalization process ensures coordination among different units.
4. **Skills and talents can be developed:** Individual skills and talents can be developed to the fullest possible level in the departmental system of work distribution.

### **Dangers of Departmentation:**

Although departmentation is very essential for the efficient running and control of a business, there are a few dangers of departmentation, which should be taken care of while assigning, and grouping of activities.

1. Dividing the business house into various departments makes the coordination of various activities very difficult. To achieve individual efficiency, one department may work against the interest of another department, thus reducing the overall efficiency and profitability of the business as a whole.
2. Departmentation creates difficulties of communication among the various departments of the organization and renders planning and control more difficult.
3. Departmentation increases the levels of management, which is more expensive, and it also increases the gap between the top management and the workers.

**Activity:**

**Discuss the advantages and dangers of departmentation**

.....

.....

.....

.....

---

**11.7 FEATURES OF DELEGATION**

---

A manager alone cannot perform all the tasks assigned to him. In order to meet the targets, the manager should delegate authority. Delegation of Authority means division of authority and powers downwards to the subordinate. Delegation is about entrusting someone else to do parts of your job. Delegation of authority can be defined as subdivision and sub-allocation of powers to the subordinates in order to achieve effective results.

**Delegation** is the assignment of responsibility or authority to another person (normally from a manager to a subordinate) to carry out specific activities. It is one of the core concepts of management leadership. However, the person who delegated the work remains accountable for the outcome of the delegated work. The word delegation can be defined in many ways:

**General:** Grant of authority by one party (the delegator) to another (the delegatee) for agreed purpose(s). Under the legal concept of vicarious liability, the delegator remains responsible for the delegatee’s acts or omissions in carrying out the purpose of the delegation.

**Agency:** Transfer of an agent’s right to act for the principal (such as from a contractor to a sub-contractor) that can take place only (1) with the permission of the principal, (2) where it is customary, or (3) where it is necessary for the performance of the entrusted duty.

**Management:** Sharing or transfer of authority and the associated responsibility, from an employer or superior (who has the right to delegate) to an employee or subordinate.



---

## 11.8 FEATURES OF DELEGATION

---

According to McFarland, delegation of authority is attended by following features:

1. Delegation involves taking decision about the logical and meaningful units of work into which the overall duties of the delegator can be broken up.
2. It also involves deciding by the delegator as to who are the subordinates capable of handing different parts of the sub-divided job. By implication, delegation includes the features of division of labour and specialisation.
3. Since delegation of authority is done to subordinates, it involves a correct assessment of the span of supervision which the delegator would be able to effectively control.
4. Delegation of authority is also attended by the feature of connecting more than one level of organizational hierarchy. The delegator must decide how many levels would be appropriately linked up through delegation.
5. Delegation of authority to handle a job is also accompanied by authorisation of the delegate to call for and use resources necessary for executing his part of the task.
6. Delegation of authority is always accompanied by the feature of 'Accountability' Accountability signifies the obligation or answerability of the delegate to the delegator for the proper accomplishment of responsibility cast upon him through delegation of authority.
7. Delegation of authority is attended by the feature of detailed and exhaustive records of performance of each of the delegate's. This feature ensures proper enforcement of accountability.

## 11.8 DIFFERENCE BETWEEN DELEGATION AND DECENTRALIAZATION

<b>Basis</b>	<b>Delegation</b>	<b>Decentralization</b>
Meaning	Managers delegate some of their function and authority to their subordinates.	Right to take decisions is shared by top management and other level of management.
Scope	Scope of delegation is limited as superior delegates the powers to the subordinates on individual bases.	Scope is wide as the decision making is shared by the subordinates also.
Responsibility	Responsibility remains of the managers and cannot be delegated	Responsibility is also delegated to subordinates.
Freedom of Work	Freedom is not given to the subordinates as they have to work as per the instructions of their superiors.	Freedom to work can be maintained by subordinates as they are free to take decision and to implement it.
Nature	It is a routine function	It is an important decision of an enterprise.
Need on purpose	Delegation is important in all concerns whether big or small. No enterprises can work	Decentralization becomes more important in large concerns and it depends upon the decision made by the

Grant of Authority	The authority is granted by one individual to another.	It is a systematic act which takes place at all levels and at all functions in a concern.
Grant of Responsibility	Responsibility cannot be delegated	Authority with responsibility is delegated to subordinates.
Degree	Degree of delegation varies from concern to concern and department to department.	Decentralization is total by nature. It spreads throughout the organization i.e. at all levels and all functions
Process	Delegation is a process which explains superior subordinates relationship	It is an outcome which explains relationship between top management and all other departments.
Essentiality	Delegation is essential of all kinds of concerns	Decentralization is a decisions function by nature.
Significance	Delegation is essential for creating the organization	Decentralization is an optional policy at the discretion of top management.
Withdrawal	Delegated authority can be taken back.	It is considered as a general policy of top management and is applicable to all departments.

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

---

## 11.9 PRINCIPLES OF DELEGATION

---

Purpose of delegation is to get the work done more effectively and efficiently by someone else. To get the desired result is the objective of Delegation. For that the goals are already set and properly communicated to the subordinates and it must be understood by him. If the subordinate is not able to perform and accomplish the desired objective, there is no point in assigning the task to him. Delegation does not always work the same way as the manager may expect. To make delegation effective, it should be based on the following principles

- i. Functional Clarity:** The subordinates should be made to understand their duties and responsibilities. In addition, knowledge of objectives and policies of the enterprise should be provided to them. This will enable them to discharge their roles purposefully in the process of delegation.
- ii. Matching Authority with Responsibility:** When authority is delegated, it should be commensurate with the responsibility of the subordinate. In fact, the authority and responsibility should be made clear to the subordinate so that he will know what he is expected to do within the powers assigned to them. There should be proper balance/parity or co-existence between the authority and responsibility. A subordinate will not function efficiently, if authority given to him is inadequate. On the other hand, if the excess authority is given, he may misuse the same. For avoiding this, the subordinates who are assigned duties should be given necessary/ adequate authority enables them to carry out their duties.
- iii. Unity of Command:** A subordinate should get orders and instructions from one superior and should be made accountable to one superior only. This means ‘no subordinate should be held accountable to more than one superior’. When a subordinate is asked to report to more than *one boss*, it leads to confusion and conflict. Unity of command also removes overlapping and duplication of work. In the absence of unity of command, there will be confusion and difficulty in fixing accountability.
- iv. The Scalar Principle:** The principle of delegation maintains that there should be clear and direct lines of authority in the Organisation, running from the top to the bottom. The subordinate should know who delegates authority to him and to whom he should contact for matters beyond his authority. They (subordinates) should also know what is expected from them. This principle justifies establishment of the hierarchical structure within the Organisation.

- v. **Absoluteness of Responsibility:** This principle of delegation suggests that it is only the authority which is delegated and not the responsibility. *The responsibility is absolute and remains with the superior.* He cannot run away from the same even after delegation. Even when the manager delegates authority to his subordinate, he remains fully accountable to his superiors because responsibility cannot be divided between a superior and his subordinate. No superior can delegate responsibilities for the acts of his subordinates. He is responsible for the acts and omissions of his subordinates.
- vi. **Use of Exception Principle:** This principle of delegation indicates that when authority is delegated, it is expected that the subordinate will exercise his own judgment and take decisions within the purview of his authority. He is to be given adequate freedom to operate within his authority even at the cost of mistakes. He should refer the problems to the top level management only when he is unable to take decisions. Unnecessary interference in the work of delegates should be avoided. This normal rule can be given up under exceptional circumstances. Here, the superior can interfere in the work of his subordinate and even withdraw the delegated duties and authority. The superior takes this decision under exceptional circumstances.
- vii. **Completeness of Delegation:** This principle of delegation suggests that there should be completeness in the process of delegation. The process of delegation should be taken to its logical end. Otherwise, there will be confusion of authority and accountability.
- viii. **Effective Communication Support System:** There should be continuous flow of information between the superior and the subordinates with a view to furnishing relevant information to subordinate for decision making. This helps him to take proper decisions and also to interpret properly the authority delegated to him. Delegation system may not work smoothly in the absence of effective communication between the superior and subordinates.
- ix. **Reward for Effective Delegation:** Effective delegation and successful assumption of authority should be rewarded. This will facilitate fuller delegation and effective assumption of authority within the Organisation. Reward for effective delegation will provide favourable environmental climate for its fair introduction.

---

## 11.10 PRINCIPAL TASKS OF EFFECTIVE DELEGATION

---

Delegation means achieving results by giving someone else the authority to do work for which you are ultimately responsible. Despite the fact that delegation has many benefits, the process also has some potential pitfalls, so you need to use a delegation process that will minimize the risks and maximize the rewards.

Consider these questions when deciding whether to delegate a task or project . . .

- Do I really have to do this myself?
- Who else has the ability to do this?
- Who might benefit from learning to do this?
- What is the worst thing that may happen if I delegate this?
- How can I prevent that from happening?
- Who has the biggest stake in the outcome?
- Who really “owns” this problem?

The following are tasks of effective delegation.

### **i. Assignment of duties to subordinates:**

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

### **ii. Transfer of authority to perform the duty:**

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

### **iii. Acceptance of the assignment:**

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

### **iv. Creation of Obligation / Accountability / Responsibility:**

The fourth stage in the, delegation of authority is the creation of obligation on the part of the subordinate to perform duties assigned to him in a satisfactory manner by using the authority given. *When subordinate accepts a task and the authority is given, an obligation is created.* He has to perform the assigned task by using the authority granted to him. A subordinate is also responsible/ accountable for completing the assigned work. He is held answerable to a superior for the satisfactory performance of that work assigned. The delegator has to help his subordinate as and when necessary as he is responsible to his superior/organisation.

### **v. The prepared to run interference, if necessary:**

Delegated tasks can be bogged down if resources are insufficient or if the person delegated to do the task run up against resistance from others. We can readily imagine a case where a transfer of reward power causes some third party to complain or try to go around the person who was delegated the task.

### **vi. Establish a feedback system:**

Delegating managers establish a system of checkpoints and feedback so they will remain advised of progress and can offer or “mid-course adjustments” if necessary. They select the feedback system carefully, bearing in mind that the tighter their controls, the less actual delegation is taking place.

## Activity F

**Assume that you want delegate some of authority and responsibility to your subordinate. How do you take a decision to delegate and what factors do you consider before delegating authority and responsibilities to your subordinates.**

.....

.....

.....

.....

---

### 11.11 ADVANTAGES OF EFFECTIVE DELEGATION

---

When used properly, delegation has several important benefits to the manager/supervisors, to the employees, and for the organizations.

	<b>BENEFITS TO THE MANAGER / SUPERVISOR</b>	<b>BENEFITS TO THE EMPLOYEE</b>	<b>BENEFITS FOR THE ORGANIZATION</b>
<b>1</b>	Makes managers job easy and exciting	Provides professional growth opportunities	It saves money
<b>2</b>	Reduces stress and makes the people to look good	Develops their professional knowledge and skills	It promotes teamwork
<b>3</b>	Frees managers to do what they should be doing	Elevates their self-image and ultimately self-esteem	It brings about professionalism
<b>4</b>	Develops trust and rapport with your employees	Enhances their confidence and value to the organization	It increases productivity and efficiency
<b>5</b>	Grooms the successor so that manager can move on to bigger and better things. Often managers and supervisors derail their own advancement by not having someone to take their place	Brings them personal satisfaction and a sense of achievement	



---

## 11.12 DISADVANTAGES OF DELEGATION

---

Whatever might be the benefits of delegation to the managers, the employees, and for the organization, there are so many disadvantages from the delegation of authority and responsibility.

- a. Central management is far removed from the actual operations where the decisions are made so that it becomes difficult to pinpoint major problems when they occur because decisions are made by many subordinates.
- b. The second problem may lie in the area of coordination. If coordination among these many subordinate is not adequate, then confusion may result and it may become difficult to exercise control over procedures and policies.
- c. It may be difficult to perfectly match the task with the capability of the subordinate.

### Activity G

**Assume that you are a manager of X ltd. Now you have decided to delegate some your powers and authorities to your subordinates. Now the question is first you should take the permission of your boss. Then how do you convince your boss about the concept, the advantages and disadvantages of delegation of authority? Explain.**

.....

.....

.....

.....

---

## 11.13 LET US SUM UP

---

The functioning or grouping of similar activities is called departmentation. The growing size and ever growing activities of an enterprise necessitates the creation of small functional divisions in an organization. This also solves the increasing problems of diversification. The selection of a specific departmentation is essential to achieve the organizational objectives. There are several bases, which can be used for departmentalizing the activities and people of an organization. But there is no single best way to organize. One has to select a particular basis or combine with any major basis keeping in mind, the work to be performed, the way in which it has to be performed, the technology involved and the people being served.

A manager alone cannot perform all the tasks assigned to him. In order to meet the targets, the manager should delegate authority. Delegation of Authority means division of authority and powers downwards to the subordinate. Delegation is about entrusting someone else to do parts of your job. Delegation of authority can be defined as subdivision and sub-allocation of powers to the subordinates in order to achieve effective results. To make delegation effective, it should be based on the certain principles and a systematic procedure is to be followed.

---

#### **11.14 KEY WORDS**

---

- 1. Departmentation:** It involves clubbing the group jobs together so that common tasks can be coordinated.
- 2. Functional Departmentation:** Similar tasks requiring similar skills grouped into workunit is referred to as functional departmentation also known as U-form organization.
- 3. Delegation:** Delegation is the assignment of responsibility or authority to another person (normally from a manager to a subordinate) to carry out specific activities.

---

#### **11.15 SELF ASSIGNMENT QUESTIONS**

---

- a. Define departmentation. Why is departmentation necessary?
- b. Discuss the advantages and disadvantages of departmentation.
- c. what are the bases for departmentation? State the different kinds of departmentation.
- d. Explain the principles of departmentation.
- e. what is the concept of delegation of authority? What are its characteristics?
- f. what are the principles of delegation?
- g. “Delegation of authority is not a smooth process”. Explain the statement and discuss the obstacles to delegation.

---

#### **11.16 CASE STUDY:**

---

##### **CASE STUDY-A:**

Narmada Chemicals is a large chemicals manufacturing firm located in the Western Ghats. It is involved with both research and the production of various products sold to wholesale customers as well as over the counter pharmaceutical items. Recently, Ram Mohan was appointed as the new Director of the company’s research and development

function. He took over at a time when this part of Narmada Chemicals seemed to be in some turmoil. The previous director resigned suddenly, leaving an administrative vacuum. In addition, executives of some of the other departments had been complaining that the R and D people were not pulling their weight. Several had wondered out loud where the new products were that the company needed in order to remain competitive. Why were not those high priced professionals working harder to achieve new breakthrough.

The firm's CEO seemed to be on the side of the other department heads in believing that major changes in the R and D function were needed quickly. He frequently stated, "This is a fast-moving industry and those firms that do not remain novel will simply be left behind". At any rate, he instructed Ram Mohan to get things moving as rapidly as possible.

Ram Mohan's appointment was approved by the Board of Directors over the expressed opposition of several of the senior research people. They did not feel that his background or previous experience made him sufficiently qualified to take over the complex task of supervising a diverse group of research scientists. There were twenty-five highly trained professionals in this group, twenty of whom possessed a Ph.D. in physics, chemistry or microbiology. The other five had Master's degrees but had worked in R and D for over fifteen years. There was relatively little agreement within this large group about the major problems facing the group or how they could be solved. In fact, several of the scientists believed that everything was finding the way it was.

Even though Ram Mohan had no direct experience with R and D, he did have a track record as manager in other areas and he had Master's degree in both finance and chemical engineering. He did not believe that he would have problems relating to the R and D group. In fact, he felt quite confident that he could turn things around in relatively short order. Upon assuming his new duties, Ram Mohan moved quickly to change the R and D department. He began by conducting interviews with several of the senior scientists in order to learn about the operation and how the employees perceived the situation. He followed up with several open meetings attended by most of the department members.

For the first few months everything was smooth. The employees appeared satisfied with Ram Mohan and morale actually improved. However, it soon became apparent that things were not as rosy as they seemed at first. Several of the senior researchers began to complain that changes were taking place and that they had never been consulted. In addition, a number of people had received long critical letters from Ram Mohan suggesting that they were no longer making a positive contribution to the company or the department.

By the end of the first year, top management was very bad. There seemed to be a movement afoot to request Ram Mohan's resignation. Two of the more promising younger scientists submitted their resignations citing intolerable working conditions, and a number of others were threatening to do the same. To make matters worse, the firm was not successful in recruiting the replacements it needed. Whether or not this was due to Ram Mohan was not really clear.

When asked, the senior researchers complained that Ram Mohan was an autocrat. He did not carefully think through problems and appeared not to systematically analyze situations. Also, he was impatient. He wanted everything to happen immediately. For example, for sometime top management had been considering the use of robots in several departments. Without consulting anyone in R and D Ram Mohan volunteered his department as a test site. One morning a memo arrived announcing the change. Nobody in the department was even aware of the possibility of such a change.

At the moment, top management is faced with a serious dilemma. Ram Mohan had a record of competent management and he was hired with a mandate to get things moving. However, rather than improving, this situation seems to have gone worse. Should they fire Ram Mohan, move him to another department, or just assume that everyone is experiencing growing pains and things will work out if given him?

Questions:

1. Evaluate Ram Mohan's approach to organisational change.
2. Does the fact that the way Ram Mohan is dealing with research scientists and professionals make any difference?
3. If you were given the task of revamping the R and D department, how would you proceed? Consider the model for implementing change. Outline an approach you think would be successful.

#### **CASESTUDY-B:**

Ram Nivas is an electrical engineer working with Kamath engineering (private) Limited. He has a diploma in electrical engineering and after joining the company, he has been trained in the inventory control and repair departments. He is 29 years old and has been working as a supervisor in the inventory control department for the last 3 years.

On 16<sup>th</sup> December, 2011, Shankar, foreman of the repairs department retired due to ill health. The management of the company promoted Ram Nivas and he was made the foreman of the repairs department.

The repairs department has four supervisors assigned to different types of repair work. According to the organization chart, foremen Ram Nivas has four supervisors under him. (B, Rao-Unit I, S. M. Lal-unit II, P. Mane-unit III and S. Kapoor-unit IV) who have repair workers under their charge.

The supervisors working under Ram Nivas were senior people with an average experience of 15 years in the company. P. Mane was the youngest with 9 years experience and S. Kapoor was the senior most with 20 years. Kapoor had joined the company as a watchman and after completing some training courses had become supervisor. Even though he did not possess formal education, he was the popular leader among the employees of the repairs department.

Since Ram Nivas was a newcomer to the department, he did not want to make any major changes in the established procedures and practices. He noticed, however, that quite frequently workers and other supervisors referred their problems to S. Kapoor. Ram Nivas did not object to this since he was interested in developing good working relations with his subordinates.

At the end of June 2012, the accounting department notified Ram Nivas that the monthly expenditure on equipment purchases for the repairs department had exceeded the budget. He was asked to give an explanation. On checking accounts, it was found that spare part No. 1004 costing Rs. 15,000 was purchased even though he had authorized only a less expensive part costing Rs. 9,000. On further enquiry, it was revealed that Kapoor had suggested the purchase of No. 1004 and the concerned billing clerk had agreed with Kapoor. When this was brought to the notice of Ram Nivas, he remarked "it is all old Kapoor's fault".

During early 2012, Ram Nivas received a telephone call from an old friend Nitin Guha who was managerial consultant specializing in the area of human relations. Guha visited Ram Nivas at the latter's residence and Ram Nivas narrated the incident to him. Ram Nivas suggested the following alternatives and wanted Guha's advice on the best possible course of action:

1. Kapoor should be warned and he should be told about the scope of his authority.
2. Ram Nivas should send a report recommending the dismissal of Kapoor.
3. Kapoor should be transferred to another department.
4. The billing clerk should be punished for his mistake.
5. Ram Nivas should establish closer control over Kapoor and other subordinates.

Guha was interested in analyzing the problem further before suggesting a possible course of action.

Give your suggestions as a consultant to improve the situation.

---

### 11.17 REFERENCES

---

1. Davar. *The Management process*. Mumbai: Progressive Corporation Pvt. Ltd, 2010.
2. Harold Koontz. Heinze Weihrich. *Essentials of management*, New York: MacGraw-Hill, 1993
3. J S. Chandan. *Management Concepts and Strategies*, New Delhi: Vikas Publishing House Pvt Limited, 1997.
4. Chauhry Omvir, Prakash Singh. *Principles of Management*, New Delhi: New Age International Publishers, 2012.
5. Peter. Drucker. *Management of 21<sup>st</sup> Century*, New York: HarperBusiness, 2001.
6. Prasad L.M. *Principles of Management*, New Delhi: Sultan Chand & Sons, 2015.
7. Stoner J.A. and Freeman R.E. ***Management, New Delhi: Pearson Education India, 1995.***
8. Richard L. Daft. *Management*, Massachusetts, United States: Cengage Learning, 2013.
9. S.K. Mandal. *Management: Principles and Practice*, Mumbai: Jaico Publishing House, 2011.

---

## **UNIT -12 : STAFFING**

---

### **Structure**

- 12.0 Objectives
- 12.1 Introduction
- 12.2 Concept of staffing
  - 12.2.1 Process of staffing
- 12.3 Recruitment
  - 12.3.1 Recruitment policy
  - 12.3.2 Source of recruitment
  - 12.3.3 Recruitment process
- 12.4 Selection
  - 12.4.1 Step in the selection progress
  - 12.4.2 Selection Test
  - 12.4.3 Interviews
- 12.5 System approaches
- 12.6 Manpower planning
  - 12.6.1 The process of human resource planning
- 12.7 Job design
  - 12.7.1 Different approaches to job design
- 12.8 Modern management techniques
- 12.9 Training and Development
  - 12.9.1 The need for Training & Development
  - 12.9.2 Assessing Training need
  - 12.9.3 Methods of Training
- 12.10 Performance Appraisal

### 12.10.1 Kinds of Performance appraisal

12.11 Let us sum up

12.12 Self Assessment Test

12.13 Glossary of the terms used in the test

12.14 Suggested answer to check your progress

12.15 References



---

## 12.1 OBJECTIVES

---

After going through this unit, you should be able to;

- Explain the concept of staffing
- Discuss the systems approach to human resource management
- Explain manpower planning and job design
- Explain the how do you conduct training & Development activities
- Evaluate performance of the employees

---

## 12.1 INTRODUCTION

---

Though the term human resource management is frequently used for the managerial function of “staffing”, staffing is just a part of the HRM process and plays an important role. Staffing involves a set of activities aimed at attracting and selecting individuals for positions in a way that will facilitate the achievement of organizational goals. You know two basic steps of staffing area: recruitment and selection

The staffing process is a systematic attempt to implement the human resource plan by recruiting, evaluating and selecting qualified candidates for job positions in the organization. Recruitment involves finding and attempting to attract job candidates who are suitable for filling job vacancies. Job analysis, job description, and job specification are important tools in the recruitment process. Once suitable candidates are attracted to the job position, the management needs to find qualified people to fill the positions through the selection process. Several methods are used in selecting prospective candidates. These include preliminary screening. Application blanks, selection test. Comprehensive interviews, etc.

According to Koontz and O’ Donell “The managerial function of staffing involves managing the organization structure through proper and effective selection, appraisal and development of personnel fill the roles designed into the structure” and Theo Hainmann opined that “Staffing function is concerned with the placement, growth and development of all those members of the organization whose function is to get things done through the efforts of other individuals “

---

## 12.2 CONCEPT OF STAFFING

---

While performing the staffing function, we have to see that men are fit for jobs and jobs are not altered for men. We have to concentrate on the concept of staffing are given below:

- Effective recruitment and selection.
- Proper placement
- Adequate and appropriate training for development
- Satisfactory and fair transfer and promotion
- Sound relationship between management and workers
- Adequate provision for retirement

### *12.2.1 Process of Staffing*

1. **Manpower planning & Job Design:** The term planning of staff members includes estimation of the number of staff members required for the company in various grades. It is based upon the size of the company and the policy followed by the company. Job design also gives information about the qualifications required for doing the job and the reward (financial and non-financial benefits) for doing the job.
2. **Recruitment and Selection:** It deals with the selection of qualified applicants to fill the jobs in the organization. A standard procedure may be followed while selecting the staff members. The procedure may be valid for different types of personnel.
3. **Training of developments:** It is concerned with providing training to new staff members as well as the existing staff members. The working efficiency of the staff members may be developed through the training programs
4. **Performance Appraisal:** Performance appraisal deals with measurement of the work performed by the staff members in an organization. A standard may be fixed in order to evaluate the efficiency of the staff members.

---

## 12.3 RECRUITMENT

---

Recruitment has acquired immense importance in today's organizations. Organizations have realized the value of human capital and its role in development. Recruitment is the first step in the process of acquiring and retaining human resources for an organization. In today's rapidly changing business environment, organizations have

to respond quickly to requirements for people. Hence, it is important to have a well-defined recruitment policy in place, which can be executed effectively to get the best fits for the vacant positions.

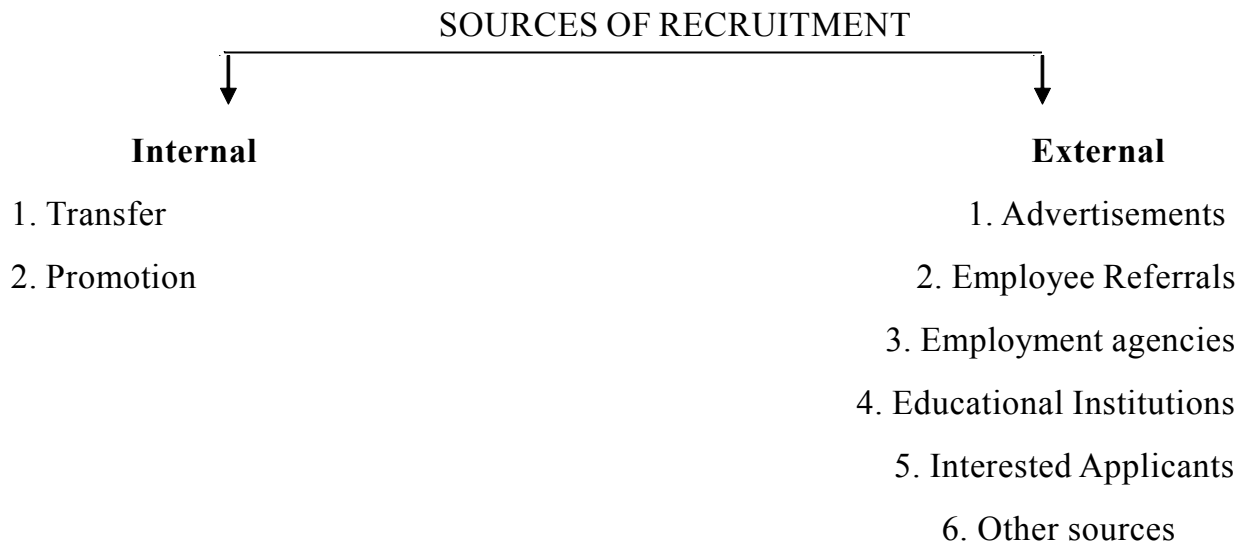
Recruiting is the process of attracting applicants with certain skills, abilities, and other personal characteristics to job vacancies in an organization. Byers and Rue define recruitment as “the process of seeking and attracting a pool of people from which qualified candidates for job vacancies can be chosen’.

### ***12.3.1 Recruitment Policy***

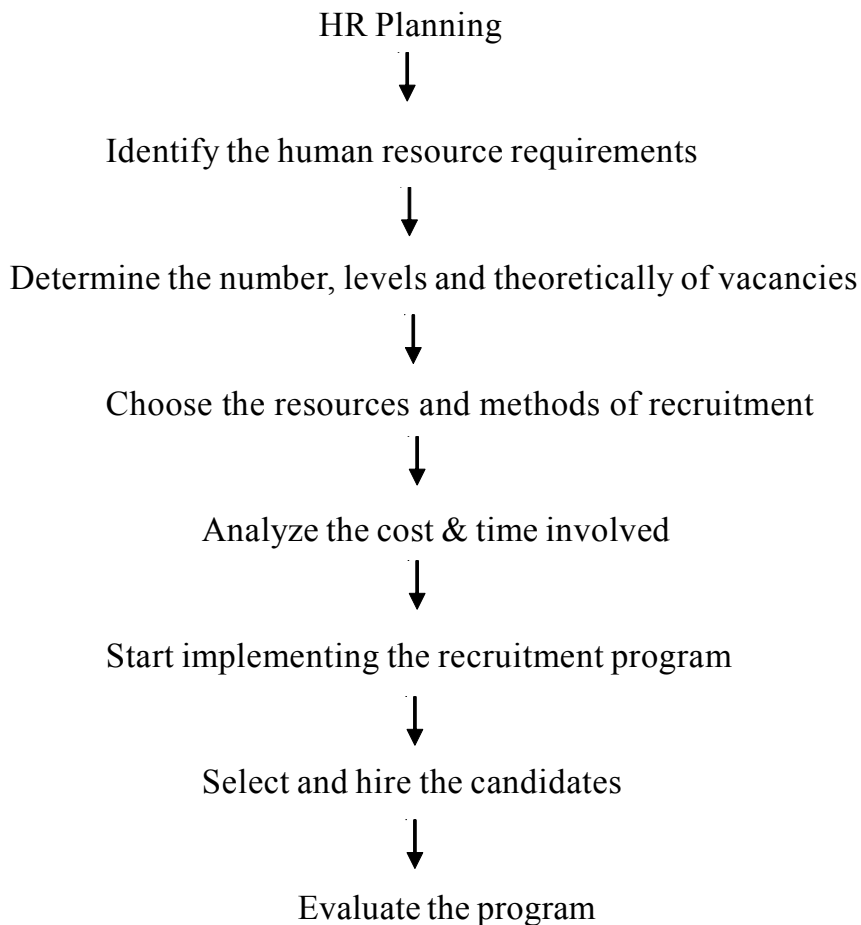
The recruitment policy is concerned with quality, qualifications of manpower and guidelines for the staffing process. A good recruitment policy is as below

- Complies with government policies on hiring.
- Provides optimum employment security and avoids frequent lay – offs or time loss,
- Assures the candidates of the management’s interest in their development.
- Prevents the formation of cliques which result in employing the members of the same household or community in the organization
- Reflects the social commitment of the organization by employing physically challenged people and other underprivileged of the society whenever there is a possibility of job fit.
- Is in alignment with the objectives and policies of the organization.
- Is flexible enough to accommodate changes in the organization.
- Is designed in such a way that is ensuring long-term employment opportunities for its employees.
- Stresses and reflects the importance of job analysis.
- Is cost effective for the organization.

### 12.3.2 Sources of Recruitment



### 12.3.3 Recruitment Process



**Activity: A**

Multiple Choice Questions:

**1. The process of attracting and inviting application from candidates is known as:**

- a. Recruitment
- b. Selection
- c. Induction
- d. Promotion

**2. Selection is the process of :**

- a. Inviting prospective candidates to apply for the job
- b. Selecting the best candidate out of all the candidates who have applied for the job
- c. Screening the candidates for the interview
- d. Selecting the candidates for the promotion

**3. Which one of the following is an internal source of recruitment?**

- a. Advertisements
- b. Present Employees
- c. Campus Recruitment
- d. Management Consultants

**4. Which one of the following is the process of searching the candidates for employment and stimulating them to apply for jobs in the organizations?**

- a. Transfer
- b. Recruitment
- c. Induction
- d. Promotion

(Ans. 1.a 2.b 3.b 4.b)

**Activity B**

What are the important methods used in your organization for recruiting management trainees, managerial, and supervisory personnel?

.....

.....

.....

.....

---

## 12.4 SELECTION

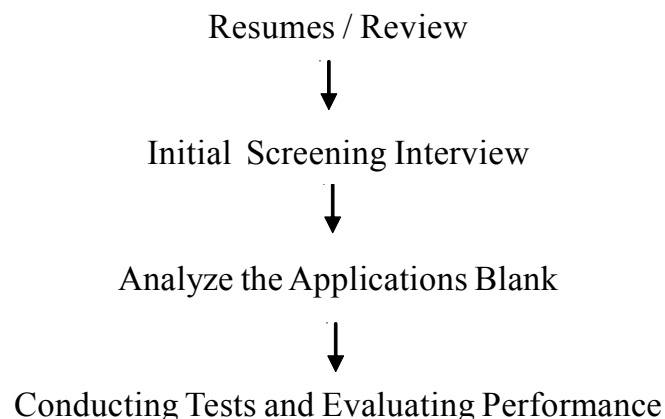
---

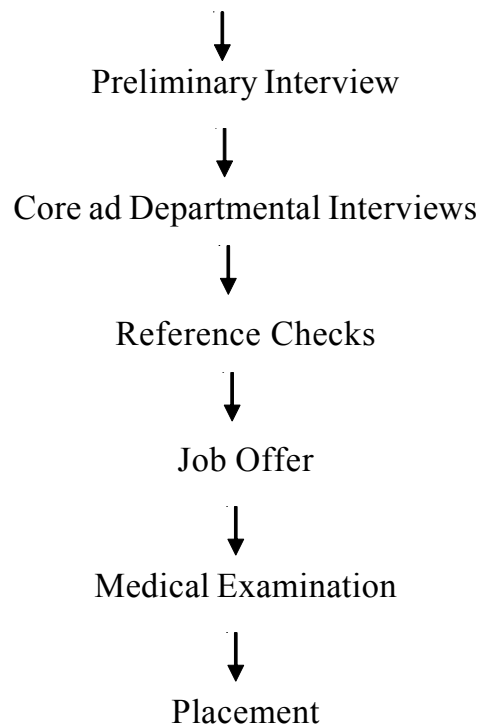
The next step after recruitment is the selection of candidates for the vacant positions from among the applicants. This is the most important stage of employment as the concept of the right candidate for the right position takes its final shape here. Selecting the wrong candidate or rejecting the right candidate could turn out to be costly mistakes for the organization. Selection is one area where the interference of external factors is minimal. Hence the HR department can use its discretion in framing its selection policy and using various selection criteria for the best results.

You know the outcomes of selection, which can have four possible outcomes. Two of the possible outcomes have a positive effect on the organization, whereas the other two have a negative impact. Let us first look at the positive outcomes. The first positive outcome is selecting the right candidate. It is obvious that the impact of this is going to be positive. The second positive outcome is rejecting an unsuitable candidate. This also has a positive impact because, had an unsuitable candidate been selected, he would not have performed successfully on the job

The two negative outcomes are selecting an unsuitable candidate, or rejecting the right candidate. In the first case, the cost of having an unsuitable candidate in the job is high. He or she would not add any value to the organization; instead the person may create problems. The organization would incur costs in training the candidate. It would have to bear the cost of his non-performance: if he has to be replaced, the cost of separation and recruiting another candidate would also add to the cost of having hired the wrong person. In the last case, where the right candidate is rejected, the organization loses potential candidate who could have turned out to be an asset to the organization because of his positive contribution.

### *12.4.1 Steps in the Selection Process*





#### ***12.4.2 Selection Tests***

Different types of test are used as selection methods to evaluate an applicant. Some of these tests assess the skill level of the applicant; others are psychometric test that tries to assess employee attitudes and personality. There are different tests designed to evaluate different aspects of performance, like intelligence, aptitude, attitude etc. Some of the tests are discussed below.

**Intelligence Tests:** defined the components of intelligence as reasoning, judgment, memory, and the power of abstraction. They measure intelligence as the general mental ability of individuals in intelligent behaviors and described intelligence testing as classifying not measuring.

**Aptitude Tests:** these tests measure an individual's ability to learn a given job, when given adequate training. They do not test the knowledge or proficiency possessed by the individual; instead they test his ability to learn, or gain the required proficiency.

**Achievement Tests:** These tests measure the job- related proficiency and knowledge of the applicants. Organizations use these tests to identify and select experienced applicants. These tests can be classified as job knowledge tests and work sample tests.

**Situational Tests:** Situational tests are generally used in middle and senior level management selection to test the applicants' likely responses to real – life business situations. The Candidates are exposed to simulated business situations and their responses are recorded and evaluated, Situational tests include group discussions, in basket exercises and simulated business games.

**Personality Tests:** The personality of an individual plays a decisive role in this performance. Proficient and knowledgeable employees, who have excellent skills and intelligence sometimes, fail to deliver because of personality problems. Personality tests help in understanding the basic job – related personality traits of a candidate. These tests help in assessing an individual's value system, emotions, maturity and other personal characteristics.

### **Activity C**

#### **Multiple Choices:**

1. The recruitment and selection process helps in:
  - a. Attracting and acquiring highly qualified and competent candidates
  - b. Decreasing the productivity of the organization
  - c. The increasing problem of absenteeism and turnover
  - d. Decreasing the pool of job candidates
2. External source of recruitment:
  - a. Helps to motivate employees
  - b. Increases cost
  - c. Promotes greater loyalty
  - d. Leads to a feeling of job security
3. Which of the following is an external source of recruitment?
  - a. Present employees
  - b. Employee Referrals
  - c. Advertisements
  - d. Former employees
4. Which of the following is not an employment test?
  - a. Aptitude Tests
  - b. Interest Tests
  - c. Reference Tests
  - d. Personality Tests

(Ans. 1.d 2.a 3.d 4.b)



### **12.4.3 Interviews**

The most commonly used interviewing techniques are briefly discussed below

**Preliminary Interview:** it is also called screening interview. The purpose is to decide through mutual information sharing whether a comprehensive interview is desired. In this interview, besides providing information about the job and the organization, preliminary information is sought on past work experience, education and motivation. Most of those interviews are generally conducted by personnel people who, sometimes, involve people from the areas where the applicant is finally going to be placed. This is usually done for jobs that are technical in nature.

**Patterned interview:** A number of standard questions are rated well in advance which are to be put before the applicant. The answers to these questions are found while framing the questions and answers are written near the questions. These are used for a verification purpose when answers are given by the applicant during the interview. This is the procedure adopted under this type of interview to evaluate the suitability of the applicant.

**Stress Interview:** Irritating questions are put before the applicant by the interviewer. If any applicant gets angry when these types of questions are put to him, the particular applicant is evaluated as unfit for the job. For example, the Interviewer may ask, how many legs do an eight legged insect have? Or Dear Mr. Ramesh what is your name? These are some questions which irritate anybody in normal conditions. If an applicant gets angry over these questions, he/she is rejected as unfit for the job. The idea is to know how a candidate is able to keep cool & his mental balance despite external stress. All kinds of jobs do not call for Stress interview.

**Systematic in-depth interview:** under this type of interview, the interviewer asks any one of the questions initially. Then, he proceeds step-by step to get an integrated view of the skills and personality of the applicants.

**Board or Panel interview:** A group of persons called 'interviewers' ask the applicant questions in the area of interest of the applicants. Immediately after the interview, they evaluate the performance of an applicant based on the answers given by the applicant.

**Group Interview:** it may be otherwise called group discussion or host party technique. A number of applicants are interviewed simultaneously. A common topic is presented before the group. One group consists of six to eight members. Each applicant is allotted a number. They may call other members of the group by calling the concerned member's number. They are restricted to use their names. The applicants are selected or rejected on the basis of performance in group discussion.

### Activity D

Have you attended any interviews in your career? If so, identify the kind of interview which you attended from the above types and explain in a few words.

.....

.....

.....

.....

---

### 12.5 SYSTEM APPROACHES:

---

How the managerial function of staffing relates to the total management system. Specifically, enterprise plans become the basis for organization plans, which are necessary in order to achieve enterprise objectives. The present and projected organization structures determine the number and kinds of managers required. These demands are compared with available talent through the management inventory. On the basis of this analysis, external and internal sources are utilized in the processes of recruitment, selection, placement, promotion and separation. Other essential aspects of staffing are appraisal, career strategy, and training and development of managers.

Staffing, affects leading and controlling. For instance well-trained managers create an environment in which people, working together in groups, can achieve enterprise objectives and at the same time accomplish personal goals. In other words, proper staffing facilitates leading. Similarly, selecting quality managers affects controlling, for example, by preventing many undesirable deviations from becoming major problems.

Staffing requires an open-system approach. It is carried out within the enterprise, which in turn is linked to the external environment. Therefore, internal factors of the firm-such as personnel policies, the organizational climate, and the required system – must be taken into account. Clearly, without adequate rewards, it is impossible to attract and keep quality managers. The external environment cannot be ignored either: high technology demands well trained, well educated, and highly skilled managers. Inability to meet the demand for such managers may well prevent an enterprise from growing at a desired rate.

---

## 12.6 MANPOWER PLANNING

---

Manpower planning involves planning for long term needs, rather than for temporary replacement needs. It has to take into consideration the career planning for individual employees and succession planning in the organization.

Manpower Planning which is also called as Human Resource Planning consists of putting the right number of people, the right kind of people at the right place, right time, doing the right things for which they are suited for the achievement of the goals of the organization. Human Resource Planning has got an important place in the arena of industrialization. Human Resource Planning has to be a systems approach and is carried out in a set procedure.

### ***12.6.1 The Process of Human Resource Planning***

The Manpower forecasting processes commonly employed by the organizations are as follows:

- i. Analyzing organizational plans: the process of human resource planning should start with analyzing the organizational plan/goals into production plan, technological plan, plans for expansion, diversification etc., Marketing plan, sales plan, and financial plan. Each plan can be further analyzed into sub-units. Analysis of organizational plans and programs helps in forecasting the demand for human resources as it provides the quantum of future work activity.
- ii. Forecasting the Overall Human Resource Requirements: the existing job design and analysis may thoroughly be reviewed keeping in view the future capabilities, knowledge and skills of present employees. Further, the jobs should be redesigned and re-analyzed keeping in view the organization and unit-wise plans and programs, future work quantum, future activity or task analysis, future skills, values, knowledge and capabilities of present employees and prospective employees.
- iii. Supply Forecasting: we have to forecast the future supply of human resource by obtaining the data and information about the present human resource inventory.
- iv. Estimating the Net Human Resource Requirement: we calculate Net human resource requirements in terms of number and components are to be determined in relation to the overall human resource requirements for the future. The difference between overall human requirements and future supply of human resource is to be found out.
- v. In case of future surplus, plan for redeployment, retrenchment and lay-off.

- vi. In case of the future deficit forecast the future supply of human resource from all sources with reference to the plans of other companies.
- vii. Plan for recruitment, development and internal mobility if future supply is more than or equal to net human resource requirements
- viii. Plan to modify or adjust the organization plan if future supply will be inadequate with reference to future net requirements.

---

## **12.7 JOB DESIGN**

---

Job design is the process of structuring work and designating the specific activities at individual or group levels. These work activities and the eventual work done, have to contribute to the organizational objectives in the most effective and efficient manner. Job design determines the responsibility of an employee, the authority he enjoys over his work, his scope of decision-making, and eventually, his level of satisfaction and his productivity. Job satisfaction and productivity are interrelated and interdependent. Job design also has an effect on the relationships in a group and the productivity of the group

Effective job design is a complex process that must be viewed from several standpoints. Organizational goals, employee aspirations, performance standards and work environment are some of the major factors that need to be taken into consideration in job design. The role of the HR function is limited in job design; the line managers play a major role in job design, as they understand the work processes better.

The major components of a job design are the job content or scope and the job depth. The job content includes the various tasks or activities that have to be performed by the job holder, the responsibilities attached to the job and the relationships with other jobs in the organizational set-up. Job depth is the autonomy or the authority that the job holder enjoys in planning and organizing the work attached to the job. There are various steps involved in job design that follow a logical sequence, The sequence is as follows:

What tasks are required to be done or what tasks is part of the job?

How are the tasks performed?

What amount are tasks are required to be done?

What is the sequence of performing these tasks?

All these questions are aimed at arriving upon a clear definition of a specific job and thereby make it less risky for the one performing the same. A well defined job encourages a feeling of achievement among the employees and a sense of high self

esteem. The whole process of job design is aimed to address various problems within the organizational setup, those that pertain to one description of a job and the associated relationships. More specific the following areas are fine tuned:

- Checking the work overload.
- Upon checking the work under load.
- Ensuring tasks are not repetitive in nature.
- Ensuring that employees don not remain isolated.
- Defining working hours clearly.
- Defining the work processes clearly.

The above mentioned are factors that if not taken care of result into building stress within the employees.

### ***12.7.1 Defferent Approaches to Job Design***

Different approaches to job design have been proposed over the years. While the earlier approaches concentrated on just the “technical” aspect and ignored the human aspect, the latest approaches tried to add a “human touch”

#### **a. Human Approach**

The human approach to job design laid emphasis on designing a job around the people or employees and not around the organizational processes. In other words it recognizes the need of designing jobs that are rewarding (financially and otherwise) and interesting at the same time.

According to this approach jobs should gratify an individual’s need for recognition, respect, growth and responsibility. Job enrichment as popularized by Herzberg’s research is one the ways in human approach of job design. Herzberg classified these factors into two categories - the hygiene factors and the motivators.

Motivators include factors like achievement, work nature, responsibility, learning and growth etc. That can motivate an individual to perform better in the workplace.

Hygiene factor on the other hand include things like working conditions, organizational policies, salary etc that may not motivate directly but the absence of which can lead to dissatisfaction at the work place.

## **b. Engineering Approach**

The engineering approach was devised by FW Taylors et al. They introduced the idea of the task that gained prominence in due course of time. According to this approach the work or task of each employee is planned by the management a day in advance. The instructions for the same are sent to each employee describing the tasks to be undertaken in detail. The details include things like what, how and when the task along with the time deadlines.

The approach is based on the application of scientific principles to job design. Work, according to this approach should be scientifically analyzed and fragmented into logical tasks. Due emphasis is then laid on organizing the tasks so that a certain logical sequence is followed for efficient execution of the same. The approach also lays due emphasis on compensating employees appropriately and training them continuously for work efficiency.

## **c. The Job Characteristics Approach**

The job characteristics approach was popularized by Hack man and Oldham. According to this approach there is a direct relationship between job satisfaction and rewards. They said that employees will be their productive best and committed when they are rewarded appropriately for their work. They laid down five core dimensions that can be used to describe any job - skill variety, task identity, task significance, autonomy and feedback.

- Skill variety: The employees must be able to utilize all their skills and develop new skills while dealing with a job.
- Task Identity: The extent to which an identifiable task or piece of work is required to be done for completion of the job.
- Task Significance: How important is the job to the other people, what impact does it create on their lives?
- Autonomy: Does the job offer freedom and independence to the individual performing the same.
- Feedback: Is feedback necessary for improving performance.

These are different approaches but all of them point to more or less the same factors that need to be taken into consideration like interest, efficiency, productivity, motivation etc. All these are crucial to the effective job design.

## Activity E

You are required to interact with few employees working with various organizations and verify Hackman and Oldham thoughts are still relevant and record the same.

.....

.....

.....

.....

---

## 12.8 MODERN MANAGEMENT TECHNIQUES

---

In the recent past, organizations have departed from the traditional work schedules and policies in order to motivate the employees perform more efficiently and effectively. HR initiatives have also helped in optimizing the human resources of an organization and enriching the quality of work life of the employees. Some of the recent trends in job design are discussed below.

### **a. Job Rotation:**

Job Rotation is a management approach where employees are shifted between two or more assignments or jobs at regular intervals of time in order to expose them to all verticals of an organization. It is a pre-planned approach with an objective to test the employee skills and competencies in order to place him or her at the right place. In addition to it, it reduces the monotony of the job and gives them a wider experience and helps them gain more insights.

Job rotation is a well-planned practice to reduce the boredom of doing the same type of job everyday and explore the hidden potential of an employee. The process serves the purpose of both the management and the employees. It helps the management in discovering the talent of employees and determining what he or she is best at. On the other hand, it gives an individual a chance to explore his or her own interests and gain experience in different fields or operations.

### **b. Job enlargement:**

Job enlargement is a job design technique wherein there is an increase in the number of tasks associated with a certain job. In other words, it means increasing the scope of one's duties and responsibilities. The increase in scope is quantitative in nature and not qualitative and at the same level.

Job enlargement is a horizontal restructuring method that aims at an increase in the workforce flexibility and at the same time reducing monotony that may creep up over a period of time. It is also known as horizontal loading in that the responsibilities increase at the same level and not vertical.

Many believe that since the enlargement is horizontal in nature there is not a great need for training! Contrary to this, job enlargement requires appropriate training especially on time and people management. Task related training is not required much since the person is already aware of the same or doing it for some time.

### **c. Job Enrichment:**

Typically job enrichment involves combining various existing and new tasks into one large module of work. The work is then handed over to an employee, which means there is an increase in responsibilities and scope. This increase in responsibility has been often vertical. The idea is to group various tasks together such that natural work units are created.

In addition expanding jobs vertically also gives employee direct control over works units and employees that were formerly under the jurisdiction of top management only. While on one hand this increases the ownership of the employees in their work, it also relieves the unnecessary burden from the top management.

Job enrichment also opens up a feedback channel for the employees. Employees are frequently appraised of their performance. This keeps them on track and helps them know their weaknesses and strong points. Performance standards are set for the employees themselves and future performances are matched against the benchmarks. All this is done without any serious intervention or involvement of the top management.

---

## **12.9 TRAINING AND DEVELOPMENT**

---

Training and development is a vital part of the human resource development. It has assumed ever important role in the wake of the advancement of technology which has resulted in ever increasing competition, the rise in customer's expectation of quality and service and a subsequent need to lower costs. It is also becoming more important globally in order to prepare workers for new jobs. In the current write up, we will focus more on the emerging need of training and development, its implications upon individuals and the employers.

Noted management author Peter Drucker said that the fastest growing industry would be training and development as a result of replacement of industrial workers with



knowledge workers. In the United States, for example, according to one estimate technology is the de-Skilling 75 % of the population. This is true for the developing nations and for those who are on the threshold of development. In Japan for example, with increasing number of women joining traditionally male jobs, training is required not only to impart necessary job skills but also for preparing them for the physically demanding jobs. They are trained in everything from sexual harassment policies to the necessary job skills.

### ***12.9.1 The Need for Training and Development***

Before we say that technology is responsible for increased need of training inputs to employees, it is important to understand that there are other factors too that contribute to the latter. Training is also necessary for the individual development and progress of the employee, which motivates him to work for a certain organization apart from just money. We also require training update employees of the market trends, the change in the employment policies and other things.

Michael Armstrong defines training as “the systematic development of the knowledge, skills and attitudes required by an individual to perform adequately a given task or job”. Edwin B Flipper opined that “training is the act of increasing knowledge and skill of an employee for doing a particular job”

### ***12.9.2 Assessing Training Needs***

The needs analysis / assessment is carried out at three levels - organizational, Individual and Job. We now take up each one of them in detail.

#### **a. Organizational Analysis**

The organizational analysis is aimed at short listing the focus areas for training within the organization and the factors that may affect the same. Organizational mission, vision, goals, people’s inventories, processes, performance data are all studied. The study gives clues about the kind of learning environment required for the training. Motorola and IBM for example, conduct surveys every year keeping in view the short term and long term goals of the organization.

#### **b. Job Analysis**

The job analysis of the needs assessment survey aims at understanding the ‘what’ of the training development stage. The kind of intervention needed is what is decided upon in the job analysis. It is an objective assessment of the job wherein both the worker oriented - approach as well as the task - oriented approach is taken into consideration. The worker

approach identifies key behaviors and ASK for a certain job and the task - oriented approach identifies the activities to be performed in a certain job. The former is useful in deciding the intervention and the latter in content development and program evaluation.

### **c. Individual Analysis**

As evident from the name itself, the individual analysis is concerned with who in the organization needs the training and in which particular area. Here performance is taken out of the performance appraisal data and the same is compared with the expected level or standard of performance. The individual analysis is also conducted through questionnaires, 360 feedback, personal interviews etc. Likewise, many organizations use competency ratings to rate their managers; these ratings may come from their subordinates, customers, peers, bosses etc.

#### ***12.9.3 Methods of Training***

The most widely used methods of training used by organizations are classified into two categories: On-the-Job Training & Off-the-Job Training.

ON-THE-JOB TRAINING is given at the work place by superior in a relatively short period of time. This type of training is cheaper & less time-consuming. This training can be impacted by basically four methods: -

Coaching is learning by doing. In this, the superior guides his sub-ordinates & give him/her job instructions. The superior points out the mistakes & give suggestions for improvement.

Job Rotation: - In this method, the trainees move from one job to another, so that he/she should be able to perform all types of jobs. E.g. In banking industry, employees are trained for both back-end & front-end jobs. In case of emergency, (absenteeism or resignation), any employee would be able to perform any type of job.

OFF THE JOB TRAINING: - This is given outside the actual workplace.

**Lectures/Conferences:** - This approach is well adapted to convey specific information, rules, procedures or methods. This method is useful, where the information is to be shared among a large number of trainees. The cost per trainee is low in this method.

**Films:** - can provide information & explicitly demonstrate skills that are not easily presented by other techniques. Motion pictures are often used in conjunction with Conference, discussions to clarify & amplify those points that the film emphasized.

**Simulation Exercise:** - Any training activity that explicitly places the trainee in an artificial environment that closely mirrors actual working conditions can be considered a Simulation. Simulation activities include case experiences, experiential exercises, vestibule training, management games & role-play.

**Cases:** - present an in depth description of a particular problem an employee might encounter on the job. The employee attempts to find and analyze the problem, evaluate alternative courses of action & decide what course of action would be most satisfactory.

**Experiential Exercises:** - are usually short, structured learning experiences where individuals learn by doing. For instance, rather than talking about interpersonal conflicts & how to deal with them, an experiential exercise could be used to create a conflict situation where employees have to experience a conflict personally & work out its solutions.

**Vestibule Training:** - Employees learn their jobs on the equipment they will be using, but the training is conducted away from the actual work floor. While expensive, Vestibule training allows employees to get a full feel for doing tasks without real world pressures. Additionally, it minimizes the problem of transferring learning to the job.

**Role Play:** - It's just like acting out a given role as in a stage play. In this method of training, the trainees are required to enact defined roles on the basis of oral or written description of a particular situation.

**Management Games:** - The game is devised on a model of a business situation. The trainees are divided into groups who represent the management of competing companies. They make decisions just like these are made in real-life situations. Decisions made by the groups are evaluated & the likely implications of the decisions are fed back to the groups. The game goes on in several rounds to take the time dimension into account.

**In-basket Exercise:** - Also known as In-tray method of training. The trainee is presented with a pack of papers and files in a tray containing administrative problems & is asked to take decisions on these problems and are asked to take decisions on these within a stipulated time. The decisions taken by the trainees are compared with one another. The trainees are provided feedback on their performance

## Activity F:

### Multiple Choice Questions

1. According to \_\_\_\_\_ “the fastest growing industry would be training and development as a result of replacement of industrial workers with knowledge workers”
  - a. Peter Drucker
  - b. Flippo
  - c. Pepper
  - d. Nadler
2. Which one of the following training methods is an on-the-job training method?
  - a. Role plays
  - b. Case study
  - c. Job Rotation
  - e. In- Basket Exercise
3. Case study is a technique of:
  - a. T-group learning
  - b. off-the –job Training
  - c. Role plays
  - d. In-Basket Training
4. A training, which is not conducted at the workplace, is called
  - a. on-the-job Training
  - b. Off-the-job training
  - c. Job Enhancement
  - d. Job Rotation

(Ans. 1.a.2.c 3.b 4.b)

---

## 12.10 PERFORMANCE APPRAISAL

---

A member in an organization expresses an opinion or views about others. The opinion may be about the way of mixing with others, way of working, character, etc. These opinions become a basis for the appraisal of an employee. A superior has some opinion about his subordinates in determining many things like promotion, transfer, training, pay fixation etc.

Performance Appraisal is the systematic evaluation of the performance of employees and to understand the abilities of a person for further growth and development. Edwin B Flippo, suggested that “performance appraisal in a systematic, periodic and so far as humanly possible, an impartial rating of an employee’s excellence in matters pertaining to his present job and to his potentialities for a better job”.

**12.10.1 KINDS OF PERFORMANCE APPRAISAL** Following are the tools used by the organizations for Performance Appraisals of their employees.

1. Ranking
2. Paired Comparison
3. Fused Distribution
4. Confidential Report
5. Essay Evaluation
6. Critical Incident
7. Checklists
8. Graphic Rating Scale
9. BARS
10. Forced Choice Method
11. MBO
12. Field Review Technique

We will be discussing the important performance appraisal tools and techniques in detail.

### ***1. Critical incident method***

This format of performance appraisal is a method which is involved identifying and describing specific incidents where employees did something really well or that needs improving during their performance period.

### ***2. Weighted checklist method***

In this style, performance appraisal is made under a method where the jobs being evaluated based on descriptive statements about effective and ineffective behavior on jobs.

### ***3. Paired comparison analysis***

This form of performance appraisal is a good way to make full use of the methods of options. There will be a list of relevant options. Each option is in comparison with the others in the list. The results will be calculated and then such option with highest score will be mostly chosen.

### ***4. Graphic rating scales***

This format is considered the oldest and most popular method to assess the employee's performance.

In this style of performance appraisal, the management just simply does checks on the performance levels of their staff.

### ***5. Essay Evaluation method***

In this style of performance appraisal, managers/ supervisors are required to figure out the strong and weak points of staff's behaviors. Essay evaluation method is a non-quantitative technique. It is often mixed with the method the graphic rating scale.

### ***6. Behaviorally anchored rating scales***

This formatted performance appraisal is based on making rates on behaviors or sets of indicators to determine the effectiveness or ineffectiveness of working performance. The form is a mix of the rating scale and critical incident techniques to assess performance of the staff.

### ***7. Performance ranking method***

The performance appraisal of ranking is used to assess the working performance of employees from the highest to lowest levels.

Managers will make comparisons of an employee with the others, instead of making comparison of each employee with some certain standards.

### ***8. Management By Objectives (MBO) method***

MBO is a method of performance appraisal in which managers or employers set a list of objectives and make assessments on their performance on a regular basis, and finally make rewards based on the results achieved. This method mostly cares about the results achieved (goals) but not to the way how employees can fulfill them.

### ***9. 360 degree performance appraisal***

The style of 360 degree performance appraisal is a method that employees will give confidential and anonymous assessments on their colleagues. This post also information that can be used as references for such methods of performance assessments of 720, 540, 180...

### ***10. Forced ranking (forced distribution)***

In this style of performance appraisal, employees are ranked in terms of forced allocations.

For instance, it is vital that the proportions be shared in the way that 10 or 20 % will be the highest levels of performances, while 70 or 80% will be in the middle level and the rest will be in the lower one.

## ***11. Behavioral Observation Scales***

The method based on the scales of observation on behaviors is the one in which important tasks that workers have performed during their working time will be assessed on a regular basis.

---

### **12.11 LETS US SUM UP**

---

Staffing means filling positions in the organization structure, it involves identifying workforce requirements, inventorying the people available. And recruiting, selecting, placing, promoting, appraising, planning the careers of, compensating and training people.

---

### **12.12 KEY WORDS**

---

**Potential:** The inner strength, belief and capabilities of individuals to succeed in their responsibilities.

**Human Capital:** is the stock of competencies, knowledge, social and personality attributes, including creativity, embodied in the ability to perform labor so as to produce economic value.

**Appraisal:** An expert or official evaluation.

**Job enrichment:** is the process of making a job more interesting, challenging and satisfying for the employees.

---

### **12.13 SELFASSESSMENT QUESTIONS**

---

1. Explain the concept of staffing and brief the significant activities performed in it?
2. What are the sources of recruitment? What factors are to be considered while giving promotion?
3. Describe the steps in recruitment and selection. What should be the features of a sound promotion policy?
4. What do you mean by performance appraisal? Discuss its needs and importance in an organization
5. What is meant by job design? Explain , different approaches to job design
6. What are the different types of training?

---

## 12.14 SUGGESTED ANSWER TO CHECK YOUR PROGRESS

---

1. The below listed are the sources of recruitment except
  - Unsolicited applicants
  - Private employment search firms
  - Survey
  - Job posting
2. A Good source of hiring technical staff would be
  - Private search firms
  - Campus selection
  - Vocational schools
  - Rival firms
3. Job evaluation is done by all of the below methods, except by
  - Critical Incidental Evaluation
  - Market pricing
  - Point comparison method
  - Factor comparison method
4. Evaluation of training program can be done by all, but
  - Counseling
  - Job Behaviour
  - Reactions
  - Ultimate Value
5. A The simplest type of individual evaluation method which gives objective or descriptive statement for employee evaluation is
  - Ranking Method
  - Rating Method
  - Checklist Method
  - Comparison Method



---

## 12.15 REFERENCES

---

1. Davar. *The Management process*. Mumbai: Progressive Corporation Pvt. Ltd, 2010.
2. Harold Koontz. Heinze Weihrich. *Essentials of management*, New York: MacGraw-Hill, 1993
3. J S. Chandan. *Management Concepts and Strategies*, New Delhi: Vikas Publishing House Pvt Limited, 1997.
4. Chauhry Omvir, Prakash Singh. *Principles of Management*, New Delhi: New Age International Publishers, 2012.
5. Peter. Drucker. *Management of 21<sup>st</sup> Century*, New York: HarperBusiness, 2001.
6. Prasad L.M. *Principles of Management*, New Delhi: Sultan Chand & Sons, 2015.
7. Stoner J.A. and Freeman R.E. ***Management, New Delhi: Pearson Education India, 1995.***
8. Richard L. Daft. *Management*, Massachusetts, United States: Cengage Learning, 2013.
9. S.K. Mandal. *Management: Principles and Practice*, Mumbai: Jaico Publishing House, 2011.

---

## **UNIT-13 : DIRECTING**

---

### **Structure**

- 13.0 Objectives
- 13.1 Introduction
- 13.2 Meaning of Directing
- 13.3 Definition of Directing
- 13.4 Characteristics of Directing
- 13.5 Significance of Directing
- 13.6 Process of Directing
- 13.7 Principles of Directing
- 13.8 Elements of Directing
- 13.9 Approaches of Directing
- 13.10 Summary
- 13.11 Self Assessment Questions
- 13.12 References

---

## **13.0 OBJECTIVES**

---

After studying this unit, you should be able to:

- Give the meaning and definition of directing
- Identify characteristics of directing
- Evaluate the significance of directing
- Explain the process of directing
- Bringout the principles and elements of directing
- Discuss the approaches of directing

---

## **13.1 INTRODUCTION**

---

In practice, management is essentially the art and process of getting things done. The managers have therefore, the responsibility not only of planning and organizing the operations but also of guiding and supervising the subordinates. This is the managerial function of direction. In the words of Marshall “Directing involves determining the course, giving orders and instructions and providing dynamic leadership”.

At one time there was a management emphasis on “directing” in the directorial (autocratic) sense, but in recent times, the concept of directing has become more congruent with leading than with pushing. Thus today, directing is more related to leading and leadership styles. Leadership in this context means the process whereby a work environment is created in which people can do their best work and feel a proprietary interest in producing a quality product or service. Keeping this in view let us understand the directing and its elements in detail.

---

## **13.2 MEANING**

---

Directing is said to be a process in which the managers instruct, guide and oversee the performance of the workers to achieve predetermined goals. Directing is said to be the heart of management process. Planning, organizing, staffing has got no importance if direction function does not take place.

---

### 13.3 DEFINITION

---

“Directing involves determining the course, giving orders and instructions and providing dynamic leadership”- Marshall.

“Directing concerns the total manner in which a manager influences the actions of subordinates. It is the final action of a manager in getting others to act after all preparations have been completed.” -Joseph Massie

“Direction is the impersonal aspect of managing by which subordinates are led to understand and contribute effectively and efficiently to the attainment of enterprise objectives.”-Koontz and O’Donnell

“Direction is telling people what to do and seeing that they do it to the best of their ability. It includes making assignments, corresponding procedures, seeing that mistakes are corrected, providing on-the-job instructions and of course, issuing orders.”-Ernest Dale

“Direction is the sum total of managerial efforts that are applied for guiding and inspiring the working terms to make better accomplishments in the organization.” -S.S. Chatterjee

According to G. R. Terry - “Directing means moving to action and supplying stimulative power to a group of persons”.

Another term used to describe this function is “Activating”. In the words of G. R. Terry - “Activating means moving into action - supplying stimulative power to the group”.

---

### 13.4 CHARACTERISTICS OF DIRECTING

---

**Directing as a function of management has got the following characteristics**

- Pervasive function
- Continuous activity
- Human factor
- Creative activity
- Executive function
- Delegate function

**Pervasive Function** - Directing is required at all levels of organization. Every manager provides guidance and inspiration to his subordinates.

**Continuous Activity** - Direction is a continuous activity as it continuous throughout the life of organization.

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

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

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

**Delegate Function** - Direction is supposed to be a function dealing with human beings. Human behavior is unpredictable by nature and conditioning the people's behavior towards the goals of the enterprise is what the executive does in this function. Therefore, it is termed as having delicacy in it to tackle human behavior.

---

### **13.5 SIGNIFICANCE OF DIRECTING**

---

Directing or Direction function is said to be the heart of management of process and therefore, is the central point around which accomplishment of goals take place. A few philosophers call Direction as "*Life spark of an enterprise*". It is also called as on actuating function of management because it is through direction that the operation of an enterprise actually starts. Being the central character of enterprise, it provides many benefits to a concern which are as follows:

- Directing initiate action
- Direction integrates efforts
- Directing is means of motivation
- Directing provides stability
- Directing will enable to cope up with changes
- Directing helps in efficient utilization of resources

**Directing initiates actions:** Directions is the beginning of the subordinate's execution of their work. Actions begin right from this function onward as the employees learn their jobs and carry out the proper instructions that are given to them. Plans which are made can be carried out only after the actual job begins and it is only then that the direction turns out to be helpful.

**Directing integrates efforts:** The superiors are capable of directing, inspiring and instructing the employees to work only by directing. To do this, every person needs to work hard in order to accomplish the goals of an organization. Every department's efforts can be easily connected and included along with the other departments through proper direction. This can also be achieved through influential leadership and efficient communication. A concern achieves certain stability only through effectively incorporating all the efforts made by all.

**Directing is a means of motivation:** The function of direction aids in achieving all the goals effectively. A manager uses this motivation factor effectively in order to enhance the employee's performance in the organization. This can be easily achieved by giving proper salaries or rewards and this in turn enables to help as a sort of "Morale Booster" for the employees in an organization. The employees can do their best through effective motivation and this in turn aids in the eventual expansion of an organization.

**Directing provides stability:** An organization's balance and constancy is very vital for surviving in the market in the long run. The managers can achieve this effectively by using four tools or essentials of direction, cautiously blending influential leadership skills, able communication, a firm command and also a well-organized motivation. Stability is very vital as it is an indication of the enterprise's expansion. Hence, a manager can utilize all the four traits within himself in order to uphold the standards of performance of an organization.

**Directing will enable to cope with the changes:** It is normal for humans to resist any new changes that are brought in an organization. However, in order to become a leader in the market, it is important to be able to adapt oneself to the ever-changing environment which in turn aids in supporting planned growth of an organization. The function of direction is necessary for meeting the new challenges in a fast-changing environment, both internally and externally. The changes in an environment can be managed easily through effective communication. The manager's role is to effectively communicate all the contents and nature of new modifications explicitly to the employees. This aids in clarifying, easily adapting and an enterprise's smooth

functioning. For instance, if an enterprise changes from handlooms to doing power looms, it is necessary to bring about a vital change in the methods of production. This results in a decrease of human labor and an increase in using more machines for this purpose. Hence, in this case, the manager can explain to his employees that it is important to bring about this change in order to benefit them. Production increases as a result of utilization of more machines and this in turn results in more profits for the enterprise. Hence, the subordinates are benefited indirectly through this change in the form of high salaries being given to them.

**Directing helps in efficient utilization of resources:** The proper direction of money aids in defining the roles and responsibilities of all the employees towards their own work. Utilization of resources can be effectively done only when there is no duplication of any efforts, no wastage, overlapping of achievements and so on. The roles of employees become defined only through proper direction as the manager uses his control, guiding and instructional abilities and skills of motivating and inspiring all his subordinates in the organization. This aids in the greatest employment of resources pertaining to humans, materials, machines and finance and this further aids in cost reduction and an increase in profits of an organization.

---

### **13.6 PROCESS OF DIRECTING**

---

Process of directing consist of four different stages and are as follows

1. Defining objectives
2. Organizing the efforts
3. Measuring the work
4. Developing the people

---

### **13.7 PRINCIPLES OF DIRECTING**

---

Direction is always a complicated task as it involves dealing with employees of different kind. A manager can become successful in the skill of efficient direction by learning and practicing the basics of direction. Nevertheless, observing the following principles is important for managers to guide his sub-ordinates;

- Principle of harmony of objectives
- Principle of scalar chain
- Principle of unity of command

- Principle of unity of direction
- Principle of effective communication
- Principle of direct supervision
- Principle of effective leadership
- Principle of follow-up

### **Principle of harmony of objectives**

An organization aims at achieving the predetermined objectives with the help of people. With different techniques of direction management should try to integrate the organisational and individual objectives. The interest of the group must always prevail over individual interests. A manager must try to reconcile personal interest of the subordinates with the common interest. Harmony of objectives makes the task of direction easy.

### **Principle of scalar chain**

Scalar chain means that chain of subordinates and superiors ranging from top to the lowest ranks. This chain clearly establishes superior- subordinate relationships and scope of authority is clearly defined. For carrying the function of direction successfully a clear scalar chain is immensely helpful.

### **Principle of unity of command**

Principle of unity of command means that a subordinate should get orders and instructions from one boss only. The employee will be confused, if he has to report to more than one superior. In the absence of unity of command, authority is undermined, discipline weakened, Loyalty divided and confusion and delays in work are frequent.

### **Principle of unity of direction**

For ensuring effective direction, there should be one head and one plan for a group of activities having the same objectives. This principle clearly lays down that the efforts of all the members should be directed by a single head for the accomplishment of the objectives of the organization.

### **Principle of effective communication**

Communication is an important instrument for effective direction. Without communication, the function of direction cannot be performed. Two-way communication provides an opportunity to the subordinates a chance to express their feelings and the superior to know the feelings of the subordinates.



A well knit system of communication provides for free flow of ideas, information, suggestion, complaints and grievances.

### **Principle of direct supervision**

The function of direction becomes more effective, if the supervisor maintains a direct and personal contact with his subordinates. Direct supervision infuses a sense of participation among the subordinates and encourages them to give their best to attain the organisational goals.

It also boosts the morale of the employees, increases their loyalty and provides the superior with immediate feedback about their performance.

### **Principle of effective leadership**

Effective leadership is the essence of the function of direction. The superior must possess the qualities of a good leader, if he is to get the work done from the subordinates. Effective leadership is also helpful in winning the confidence of the subordinates.

### **Principle of follow-up**

A manager or the superior has to monitor or follow-up the performance of the subordinates constantly so as to ensure that the work is being performed as per the plans made. He should keenly observe the subordinates at work and correct them wherever they go wrong.

---

## **13.8 ELEMENTS OF DIRECTING**

---

Following are the elements of directing, managers has to consider while performing the role of directing

- Delegating:
- Supervision
- Leadership
- Motivation
- Communication
- Coordination

### **Delegating**

Delegation is a very important process to carry on the work systematically in the organization. But delegation is not a process of abdication which means accountability

is absolute. It can never be passed or delegated. After creating accountability on subordinates, the superiors also remain accountable.

### **Supervision**

It refers to monitor the progress of routine work of one's subordinates and guiding them properly. Supervision is an important element of the directing function of management. Supervision has an important feature that face-to-face contact between the supervisor and his subordinate is a must.

### **Leadership**

It refers to influence others in a manner to do what the leader wants them to do. Leadership plays an important role in directing. Only through this quality, a manager can inculcate trust and zeal among his subordinates.

### **Motivation**

It refers to that process which excites people to work for attainment of the desired objective. Among the various factors of production, it is only the human factor which is dynamic and provides mobility to other physical resources.

If the human resource goes static then other resources automatically turn immobile. Thus, it becomes essential to motivate the human resource to keep them dynamic, aware and eager to perform their duty. Both the monetary and non-monetary incentives are given to the employees for motivation.

### **Communication**

It refers to an art of transferring facts, ideas, feeling, etc. from one person to another and making him understand them. A manager has to continuously tell his subordinates about what to do, how to do, and when to do various things.

Also, it is very essential to know their reactions. To do all this it becomes essential to develop effective telecommunication facilities. Communication by developing mutual understanding inculcates a sense of cooperation which builds an environment of coordination in the organization.

### **Coordination**

It refers to synchronization and integration of activities, responsibilities, and command and control structures to ensure that the resources of an organization are used most efficiently in pursuit of the specified objectives. Along with organizing, monitoring, and controlling, coordinating is one of the key functions of management.

---

## 13.9 APPROACHES TO DIRECTING

---

Approaches or styles of directing are as follows

- Consultative directing
- Free rein directing
- Autocratic directing

### **Consultative directing**

Consultative direction promotes consultative leadership style, as the term implies, leader is willing to consult the group and encourages his subordinates to present their opinions for decision making process creating an environment of openness and conviction. Owing to this style, there establishes two way method of communication which leads to reach the conclusions as smoothly as possible. In other words, it is seeking win-win solutions opening the doors of opinion to the talented employees. Since a great concern of their leader to his subordinates is manifested by this method, the employees develop the sense of confidence and their morale is enhanced accordingly.

Advantages of the consultative direction are many, whereas the disadvantages in proportion are few, such as, it may be time consuming to reach the conclusions and the subordinates may dominate or it may be that they may cause disruptions. Nonetheless, talented employees seek their own ways to strengthen their professionalism owing to the consultative direction.

### **Free rein directing**

Free-rein Directing, also called Laissez-Faire, is a type of leadership style in which managers are hands-off and allow group members to make the decisions. Managers set objectives and employees are free to do whatever is appropriate to accomplish those objectives. The traits managers need in such organization includes warmth, friendliness, and understanding. Free-rein is often the most successful style concerning organization is which managers supervise doctors, engineers, professors and other professionals.

### **Some of the primary characteristics of Free-rein Directing include:**

- Very little guidance from leaders
- Complete freedom for followers to make decisions
- Leaders provide the tools and resources needed
- Group members are expected to solve problems on their own

### **The downside of Free-rein Directing:**

- Not ideal in situations where group members lack the knowledge or experience they need to complete tasks and make decisions.
- Some people are not good at setting their own deadlines, managing their own projects and solving problems on their own.
- Lack of feedback
- Miscommunication among managers and group members

### **Autocratic directing**

Autocratic Directing is a style characterized by individual control over all decisions and little input from group members. Autocratic managers typically make choices based on their own ideas and judgments and rarely accept advice from followers. Autocratic directing involves absolute, authoritarian control over a group. This style is effective in emergencies and when absolute followership is needed. This directing style is also effective sometimes with new, relatively unskilled workers who need clear direction and guidance.

### **Some of the primary characteristics of autocratic directing include:**

- Little or no input from group members
- Leaders make the decisions
- Group leaders dictate all the work methods and processes
- Group members are rarely trusted with decisions or important tasks

### **The downside of autocratic directing includes:**

- Viewed as bossy, controlling and dictatorial, which can lead to resentment among group members.
- Group may dislike that they are unable to contribute ideas
- Lack of feedback from group members
- Lack of initiative from group members

---

## **13.10 SUMMARY**

---

Directing is said to be a process in which the managers instruct, guide and oversee the performance of the workers to achieve predetermined goals. Directing is said to be the heart of management process. Planning, organizing, staffing has got no importance if direction function does not take place.

Directing initiates action and it is from here actual work starts. Direction is said to be consisting of human factors. In simple words, it can be described as providing guidance to workers is doing work. In field of management, direction is said to be all those activities which are designed to encourage the subordinates to work effectively and efficiently. According to Human, “Directing consists of process or technique by which instruction can be issued and operations can be carried out as originally planned” Therefore, Directing is the function of guiding, inspiring, overseeing and instructing people towards accomplishment of organizational goals.

---

### 13.11 SELFASSESSMENT QUESTIONS

---

1. Define directing
2. Explain the characteristics of directing
3. What are the significances of directing?
4. Critically evaluate the principles of directing
5. Discuss the process of directing.
6. Explain the key elements of directing
7. Discuss the approaches of directing.

---

### 13.12 REFERENCES

---

1. Davar. *The Management process*. Mumbai: Progressive Corporation Pvt. Ltd, 2010.
2. Harold Koontz. Heinze Weihrich. *Essentials of management*, New York: MacGraw-Hill,1993
3. J S. Chandan. *Management Concepts and Strategies*, New Delhi: Vikas Publishing House PvtLimited,1997.
4. Chauhry Omvir, Prakash Singh. *Principles of Management*, New Delhi: New Age International Publishers, 2012.
5. Peter. Drucker. *Management of 21<sup>st</sup> Century*, New York: HarperBusiness,2001.
6. Prasad L.M. *Principles of Management*, New Delhi: Sultan Chand & Sons, 2015.
7. Stoner J.A. and Freeman R.E. ***Management, New Delhi: Pearson Education India,1995.***
8. Richard L. Daft. *Management*, Massachusetts, United States: Cengage Learning, 2013.
9. S.K. Mandal. *Management: Principles and Practice*, Mumbai: Jaico Publishing House, 2011.

---

## **UNIT -14 : COORDINATION**

---

### **Structure**

- 14.0 Objectives
- 14.1 Introduction
- 14.2 Meaning
- 14.3 Definition
- 14.4 Elements of Coordination
- 14.5 Characteristic features of Coordination
- 14.6 Types of Coordination
- 14.7 Principles of Coordination
- 14.8 Significance of Coordination
- 14.9 Techniques of Coordination
- 14.10 Summary
- 14.11 Self Assessment Questions
- 14.12 References

---

## 14.0 OBJECTIVES

---

After studying this unit, you should be able to:

- Give the meaning and definition of coordination
- Identify the elements of coordination
- Analyze characteristic features of coordination
- Explain the types of coordination
- Evaluate the significance of coordination
- Discuss the techniques of coordination

---

## 14.1 INTRODUCTION

---

Co-ordination is the unification, integration, synchronization of the efforts of group members so as to provide unity of action in the pursuit of common goals. It is a hidden force which binds all the other functions of management. According to *Mooney and Reelay*, “Co-ordination is orderly arrangement of group efforts to provide unity of action in the pursuit of common goals”. According to *Charles Worth*, “Co-ordination is the integration of several parts into an orderly whole to achieve the purpose of understanding”.

Management seeks to achieve co-ordination through its basic functions of planning, organizing, staffing, directing and controlling. That is why; co-ordination is not a separate function of management because achieving of harmony between individuals efforts towards achievement of group goals is a key to success of management. Co-ordination is the essence of management and is implicit and inherent in all functions of management.

---

## 14.2 MEANING

---

“Coordination means integration of activities”

Coordination is done to achieve the objectives of the organization. Co-ordination is a process. It is not fixed. It applies to group activities. It does not apply to individual activities. The managers have to make special efforts to get coordination. Coordination does not come automatically. Co-ordination leads to unity of action.

Coordination encourages team spirit. It gives proper direction to the organisation. It motivates the employees. It makes proper use of the resources. Coordination affects

all the functions of management. Therefore, it is also called the “*Essence of Management*”.

---

### 14.3 DEFINITION

---

According to G.R. Terry “coordination is the orderly synchronization of efforts to provide the proper amount, timing and directing of execution in harmonious and unified actions to a unified actions to a stated objectives”

According to Henry Fayol “To coordinate is to harmonize all the activities of a concern in order to facilitate its working and success”

---

### 14.4 ELEMENTS OF COORDINATION

---

According to Louis Allen co-ordination comprises three principal elements or steps-

- Balancing
- Timing and
- Integrating.

**Balancing** implies that something is provided more in order to compensate for some other thing which is less. Thus in a large organisation it involves the provision to staff support to the line personnel and vice versa.

**Timing** suggests that different parts of an operation are carried on according to such schedules that the beginning of each part synchronizes with the end of the preceding part and its end, in turn with the beginning of the following part.

**Integrating** is the effective co-ordination of different elements’ and diverse interests so that all the units of the organisation and whatever they do ultimately conform to the common goal of the enterprise.

---

### 14.5 CHARACTERISTIC FEATURES OF COORDINATION

---

Coordination is a process to establish harmony among the different activities of an organisation, so that the desired objectives can be achieved. Definitions of coordination present the following facts about its characteristics:

#### (1) Coordination Integrates Group Effort:

The need for coordination is felt when group effort is needed for the accomplishment of an objective. In short, it can be said that coordination is related to group effort and not individual effort. The question of coordination does not arise, if the job is done by one person only.



## **(2) Coordination Ensures Unity of Action:**

The nature of coordination is of creating unity in action. It means during coordinating process an effort is made to create unity among the various activities of an organisation. For example, the purchase and sales departments have to coordinate their efforts so that supply of goods takes place according to purchase orders.

## **(3) Coordination is a Continuous Process:**

It is not a job which can be performed once and for all, but its need is felt at every step. Many activities are performed in a business. Sometimes or the other, if any one of the activities goes on fluctuating either for more or less than required, the whole organisational balance is disrupted. Thus, a close watch has to be kept on all the activities to maintain the balance.

## **(4) Coordination is an All-pervasive Function:**

Pervasiveness refers to that truth which is applicable to all spheres (business and non-business organisations) and places uniformly. The nature of coordination is pervasive. Like making of time-table in an educational institution is an apt example of establishing coordination.

In the game of cricket, the placement of players at pre-determined positions is nothing but coordination. In the same manner, to synchronise the activities of different departments, like purchase, sales, production, finance, etc. in a business organisation is coordination.

## **(5) Coordination is the Responsibility of All Managers:**

Coordination is needed at all the three, i.e., top, middle and lower managerial levels. Different activities performed at all the levels are equally important. Thus it is the responsibility of all the managers that they make efforts to establish coordination. That is why, it could not be said that coordination is of more importance to any one particular managerial level or a manager.

## **(6) Coordination is a Deliberate Function:**

Coordination is never established by itself but it is a deliberate effort. Only cooperation does not suffice but coordination is also needed. For example, a teacher aspires to teach effectively (this is cooperation) but the timetable is not prepared in the school (this is lack of coordination).

In this situation, classes cannot be arranged for. Here, the effort made by the teacher is meaningless, in the absence of coordination. On the other hand, in the absence of cooperation, coordination dissatisfies the employees. Thus, both are required at a given point of time.

---

## 14.6 TYPES OF COORDINATION

---

Depending upon the nature and coverage, coordination may be studied under different types. On the basis of its coverage, coordination may be divided into two types, such as, internal and external. Another type of classification is possible on the basis of its flow under two headings, mainly, vertical and horizontal coordination.

### **Internal coordination**

Coordination between units of the same organization is termed as internal coordination. It summarizes the activities of different units so as to make the organization more effective.

### **External coordination**

Organizations are not free from the influence of external environment. Hence, establishing a close link between organisations and external environment is a must either to survive or surpass the growing competition. External environment includes technology, competition, market forces, customers Government policy etc. External co-ordination tries to coordinate all these forces up to the advantage of an organization.

### **Vertical and Horizontal Coordination**

Coordination between different levels of hierarchy down the line is termed as “vertical coordination”. It ensures that all levels of people, from top to the bottom, “*work*” in harmony. It is greatly facilitated by a technique like delegation of authority to the lower levels of hierarchy.

Coordination between people of the same cadre and between different departments at the same level is termed as “Horizontal Coordination”.

---

## 14.7 PRINCIPLES OF COORDINATION

---

A good coordination depends on well defined principles and they are as follows:

**1. Simplified Organization:** – Authority, responsibility, duty and other job description should clearly be described by the organization. Coordination may be simple and easy when all duties and power are clearly simplified.

**2. Harmonized Programs and Policies:** – An organization must set the programs and policies. These programs and policies must be harmonized. Harmonized policies help to make coordination effective.

**3. Well Designed System of Communication:** – Without effective communication coordination and harmonizing activities is not possible. Therefore, communication system must be well designed.

**4. Voluntary Cooperation:** - When all members of the organization are voluntarily cooperated, then only coordination can be successful.

**5. Coordination Through Supervision:** -Supervisors are most important actor to coordinate the workers and their work. Mainly in all organization supervisors coordinate the resources and activities.

**6. Continuity:** – It is never ending process. When it is done continuously, the resources are not used effectively and they cannot provide the contribution.

**7. Direct Contact:** – Direct contact is necessary in effective coordination. Face to face contact may provide more effectiveness

**8. Clearly Defined Goals:** – Organizational goals and other departmental goals must be clearly defined otherwise it isn't easy to coordinate the resources and activities.

**9. Effective Leadership:** – Leadership must be effective. It helps to increase the confidence of employees and it develops the morale of workers. In fact effective leadership helps in effective coordination.

---

## **14.8 SIGNIFICANCE OF COORDINATION**

---

Coordination is required whenever and wherever a group of persons work together to achieve common objectives. It is the basic cement-ing force in an organisation. Coordination becomes necessary because of the following disintegrating forces.

### **1. Increase in Size and Complexity of Operations:**

Growth in the number and complexity of activities is the major factor requiring coordination. Need for coordination arises as soon as the operations become multiple, diversified and complex. In a large organisation, a large number of individuals are employed.

These people may work at cross purposes if their efforts and activities are not properly coordinated. Increasing scale of operations may also increase geographical distance among the members of the organisation. Several layers of authority create problem of communication.

Personal contact is not possible and formal methods of coordination become essential. Operations are multifarious and there are too many centrifugal forces.

Therefore, constant efforts are required to ensure harmonious functioning of the enterprise. As the size of organisation increases, the task of coordination becomes increasingly difficult.

## **2. Specialization:**

Division and subdivision of work into specialized functions and departments, leads to diversity of tasks and lack of uniformity. Specialists in charge of various departments focus on their own functions with little regard to other functions.

For example, production department may insist on the manufacture of those products which are convenient and economical to produce overlooking their suitability to consumers. It becomes necessary to synchronise the diverse and specialized activities of different units to create unity in the midst of diversity.

Generally, greater the division of labor more is the need for coordination. Specialization will not yield desired results unless specialized efforts are 'effectively integrated. Where division of labor is inevitable, coordination becomes mandatory.

Need to specialise leads to horizontal and vertical differentiation of organizational activities. The greater the differentiations, more serious are the problems of communication and coordination.

## **3. Clash of Interests:**

Individuals join an organisation to fulfill their personal goals, i.e., their physiological and psychological needs. Often individuals fail to appreciate how the achievement of organizational goals will satisfy their own goals. They may pursue their own specialized personal interests often at the expense of the larger organizational goals.

They tend to work at cross-purposes. Coordination helps to avoid conflict between individual and organizational goals. It brings about harmony between the two types of goals by making individuals see how their jobs contribute to the common goals of the

organisation. Coordination avoids all splintering efforts that may destroy the unity of action.

#### **4. Different Outlook:**

Every individual in the organisation has his own way of working and approach towards problems. Capacity, talent and speed of people differ widely. It becomes imperative to reconcile differences in approach, timing and effort of different departments to secure unity of action.

Cooperation serves as the binding force in an organisation in the face of narrow and sectional outlook. Coordination becomes difficult due to differences in the attitudes and working styles of personnel.

#### **5. Interdependence of Units:**

Various units of an organisation depend upon one another for their successful functioning. For instance the spinning plant supplies yarn to the weaving plant.

The output of one unit serves as the input of another unit. James D. Thompson has identified three types of interdependence, namely,

- (a) Pooled interdependence,
- (b) Sequential interdependence, and
- (c) Reciprocal interdependence.

Pooled interdependence refers to the situation wherein the various departments of an organisation functions as autonomous units and do not depend on each other for the performance of their day-today-activities. In sequential interdependence, the work of different units forms a sequence and one unit cannot do its work until the work in preceding unit has been completed.

In reciprocal interdependence, different units are reciprocally related and there is a give and take relationship among them. The need for coordination increases with an increase in the interdependence between organizational units. It is highest in reciprocal interdependence, higher in sequential interdependence and high in pooled interdependence.

#### **6. Conflicts:**

In an organisation, conflicts may arise between line managers and staff specialists or between management and workers. Human nature is such that a person emphasizes his own area of interest and does not want to get involved in the activities of others. Coordination avoids potential sources of conflict.

## **7. Empire-building:**

In order to boost up self-importance and personal ego, some members of the organisation tend to over-emphasize their own activities. Such empire-builders try to get maximum possible share of the total resources for their own units as if the units were separate entities.

This empire building tendency does not allow cooperation and self-coordination. Special efforts become necessary to coordinate the activities and efforts of empire-builders.

## **8. Personal Jealousies and Rivalries:**

Personality clashes are quite common in human organizations. Members of rival groups deliberately sabotage coordination. In their efforts to settle personal scores, some persons do not permit harmonious action or team work. Such rivalry is often accentuated by lack of clear-cut goals and specific authority limits.

---

## **14.9 TECHNIQUES OF COORDINATION**

---

The basic objective of all managerial functions is to get things done by coordinated efforts of other. Thus, every function leads to coordination. However, following are the specific techniques for achieving coordination.

**1. Well defined goals:** – The first means or technique of coordination is well defined goals. The goals of the organization should be clear and well defined. Each individual in the organization should understand the overall goals. When the goals are not well defined the coordination may not effective.

**2. Sound organization structure:** – Coordination is the essence of management. It is not possible without sound organization structure. The authority and responsibility for each and every positions and employees should be clearly defined.

**3. Effective communication:** – Coordination helps in creating proper understanding among persons. Without effective communication, coordination may be effective. The ideas, opinions should be interchanged freely. It is only through effective communication that even individual understand his/her limitations, positions and responsibility in the organization. Effective communication helps in coordination. Therefore, it is also an important means of coordination.

**4. Proper leadership:** – Proper leadership leads the subordinates effectively and efficiently. A good managerial leader uses the motivational tools to coordinate the

employees with effective communication system. In short, coordination is made possible through proper leadership.

**5. Proper supervision:** – Supervisors coordinate the subordinates and their activities. Top level management cannot coordinate all employees. In short, proper supervision helps in effective coordination.

**6. Better plans and policies:** – Coordination is made according to plans and policies of the organization and departments. When the plans and policies are not better coordination is not effective in the organization.

**7. Cooperation:** – Without cooperation, coordination may not succeed because coordination is related to employees and their activities. When they are not cooperative, coordination may not be made. So, cooperation is essential in the organization.

**8. Meeting and conference:** – Coordination may be possible when all employees their all activities and departmental goals are involved in organizational planning and policies. Their all problems and matters may be involved. When there is environment of constructive discussion and debate with meeting and conference.

**9. Group decision:** – The group decision is a decision in which all members of the organization are participated to make decisions. The ideas and feelings are mixed into the decision and coordination may succeed.

---

## **14.10 SUMMARY**

---

“Co-ordination is the Essence of Management.” The meaning of this sentence implies, Co-ordination affects all the functions of management. In other words, Co-ordination affects Planning, Organizing, Staffing, Directing, Communication, Leading, Motivating and Controlling.

Now we can conclude that all the functions of management are affected by coordination. Hence coordination is essential for achieving the objectives of the organisation. It is also required for the survival, growth and profitability of the organisation. Coordination encourages team spirit, gives right direction, motivates employees, and makes proper utilization of resources. Therefore, Coordination is rightly called the “**Essence of Management**”.

---

### 14.11 SELFASSESSMENT QUESTIONS

---

1. What do you mean by coordination? Add a note on elements of coordination.
2. Define coordination.
3. Discuss the various characteristic features of coordination and evaluate the suitability of these characters in the modern organisations.
4. Explain the various types of coordination with suitable examples.
5. What are the principles of coordination? Discuss them in detail with suitable examples.
6. Discuss the various techniques of coordination.

---

### 14.12 REFERENCES

---

1. Davar. *The Management process*. Mumbai: Progressive Corporation Pvt. Ltd, 2010.
2. Harold Koontz. Heinze Weihrich. *Essentials of management*, New York: MacGraw-Hill, 1993
3. J S. Chandan. *Management Concepts and Strategies*, New Delhi: Vikas Publishing House Pvt Limited, 1997.
4. Chauhry Omvir, Prakash Singh. *Principles of Management*, New Delhi: New Age International Publishers, 2012.
5. Peter. Drucker. *Management of 21<sup>st</sup> Century*, New York: HarperBusiness, 2001.
6. Prasad L.M. *Principles of Management*, New Delhi: Sultan Chand & Sons, 2015.
7. Stoner J.A. and Freeman R.E. ***Management, New Delhi: Pearson Education India, 1995.***
8. Richard L. Daft. *Management*, Massachusetts, United States: Cengage Learning, 2013.
9. S.K. Mandal. *Management: Principles and Practice*, Mumbai: Jaico Publishing House, 2011.



---

## **UNIT- 15 : LEADERSHIP**

---

### **Structure**

- 15.0 Objectives
- 15.1 Introduction
- 15.2 Definition of Leadership
- 15.3 Formal and Informal Leadership Styles
- 15.4 Theories of Leadership
- 15.5 Styles of Leadership
- 15.6 Qualities and Characteristics of Good Leader
- 15.7 Summary
- 15.8 Self Assessment Questions
- 15.9 References

---

## **15.0 OBJECTIVES**

---

After studying this unit, you should be able to:

- Define leadership
- Evaluate formal and informal leadership styles
- Analyze various theories of leadership
- Explain various styles of leadership
- Identify qualities and characteristics of good leader

---

## **15.1 INTRODUCTION**

---

In the earlier units we have discussed about directing and coordinating as an important activities of management in achieving the goals of organisation. In this unit we will understand the third aspect that is leadership; an organization has the greatest chance of being successful when all of the employees work toward achieving its goals. Since leadership involves the exercise of influence by one person over others, the quality of leadership exhibited by supervisors is a critical determinant of organizational success. Thus, supervisors study leadership in order to influence the actions of employees toward the achievement of the goals of the organization.

Supervisors can learn about leadership through research. Leadership studies can be classified as trait, behavioral, contingency, and transformational. Earliest theories assumed that the primary source of leadership effectiveness lay in the personal traits of the leaders themselves. Yet, traits alone cannot explain leadership effectiveness. Thus, later research focused on what the leader actually did when dealing with employees. These behavioral theories of leadership sought to explain the relationship between what the leaders did and how the employees reacted, both emotionally and behaviorally. Yet, behavior can't always account for leadership in different situations. Thus, contingency theories of leadership studied leadership style in different environments. Transactional leaders, such as those identified in contingency theories, clarify role and task requirements for employees. Yet, contingency can't account for the inspiration and innovation that leaders need to compete in today's global market place. Newer transformational leadership studies have shown that leaders, who are charismatic and visionary, can inspire followers to transcend their own self-interest for the good of the organization.

---

## 15.2 DEFINITION OF LEADERSHIP

---

A traditional definition of leadership: **Leadership** is an interpersonal influence directed toward the achievement of a goal or goals.

Three important parts of this definition are the terms interpersonal, influence, and goal.

- Interpersonal means between persons. Thus, a leader has more than one person (group) to lead.
- Influence is the power to affect others.
- Goal is the end one strives to attain.

Basically, this traditional definition of leadership says that a leader influences more than one person toward a goal.

After understanding the traditional definition of leadership let us understand the standard definition

**LEADERSHIP** is a dynamic relationship based on mutual influence and common purpose between leaders and collaborators in which both are moved to higher levels of motivation and moral development as they affect real, intended change.

Three important parts of this definition are the terms relationship, mutual, and collaborators. Relationship is the connection between people. Mutual means shared in common. Collaborators cooperate or work together.

This definition of leadership says that the leader is influenced by the collaborators while they work together to achieve an important goal.

---

## 15.3 FORMAL AND INFORMAL LEADERSHIP STYLES

---

As we have seen the definition of leadership let us try to understand the styles of leadership. In general leadership styles are classified as Formal and Informal,

**Formal Leadership Style** is usually exercised through an official position or a grant of authority from an organization to accomplish a specific task or mission. Leaders using a formal leadership style are generally more concerned with getting the job done than the welfare of the people doing the job.

Leadership strategies within formal leadership style are coercive, authoritative, and affirmative. Coercive leaders expect immediate responses, authoritative leaders expect positive responses to directions, and affirmative leaders capitalize on the skills of people within a group.

**Informal Leadership Style** is not based on a grant of authority but is a result of a person's innate ability to lead others. Informal leadership skills result from a combination of natural ability, training and work experience. Informal leadership style is characterized by democratic and performance strategies. Democratic leadership strategies focuses on encouraging group participation and decision process input. Performance-based leadership strategies focus on getting people to follow your example of taking the lead and getting the job done.

---

## 15.4 THEORIES OF LEADERSHIP

---

As we have seen in the introduction, over the time; various theories of leadership has been developed, let s try to understand each of them in detail.

1. Great Man Theory
2. Trait Theory
3. Behavioral Theories
  - a. Role Theory
  - b. The Managerial Grid
4. Participative Leadership
  - a. Lewin's Leadership Styles
  - b. Likert's Leadership Styles
5. Situational Leadership
  - a. Hersey and Blanchard's Situational Leadership
  - b. Vroom and Yetton's Normative Model
  - c. House's Path-Goal Theory of Leadership
6. Contingency Theories
  - a. Fiedler's Least Preferred Co-worker (LPC) Theory
  - b. Cognitive Resource Theory
  - c. Strategic Contingencies Theory
7. Transactional Leadership
  - a. Leader-Member Exchange (LMX) Theory

8. Transformational Leadership
  - a. Bass' Transformational Leadership Theory
  - b. Burns' Transformational Leadership Theory
  - c. Kouzes and Posner's Leadership Participation Inventory

**1. Great man theory:** this theory was originally proposed by Thomas Carlyle

**The Assumptions of this theory are:**

- Leaders are born and not made.
- Great leaders will arise when there is a great need.

**Description**

Early research on leadership was based on the study of people who were already great leaders. These people were often from the aristocracy, as few from lower classes had the opportunity to lead. This contributed to the notion that leadership had something to do with breeding.

The idea of the Great Man also strayed into the mythic domain, with notions that in times of need, a Great Man would arise, almost by magic. This was easy to verify, by pointing to people such as Eisenhower and Churchill, let alone those further back along the timeline, even to Jesus, Moses, Mohammed and the Buddha.

**Discussion**

Gender issues were not on the table when the 'Great Man' theory was proposed. Most leaders were male and the thought of a Great Woman was generally in areas other than leadership. Most researchers were also male, and concerns about androcentric bias were a long way from being realized.

It has been said that history is nothing but stories of great men. Certainly, much has this bias, although there is of course also much about peoples and broader life.

**2. Trait theory**

This theory has got some assumptions and are as follows

Assumptions

- People are born with inherited traits.
- Some traits are particularly suited to leadership.
- People who make good leaders have the right (or sufficient) combination of traits.

## Description

Early research on leadership was based on the psychological focus of the day, which was of people having inherited characteristics or traits. Attention was thus put on discovering these traits, often by studying successful leaders, but with the underlying assumption that if other people could also be found with these traits, then they, too, could also become great leaders.

Stogdill (1974) identified the following traits and skills as critical to leaders.

Traits	Skills
<ul style="list-style-type: none"><li>• Adaptable to situations</li><li>• Alert to social environment</li><li>• Ambitious and achievement-orientated</li><li>• Assertive</li><li>• Cooperative</li><li>• Decisive</li><li>• Dependable</li><li>• Dominant (desire to influence others)</li><li>• Energetic (high activity level)</li><li>• Persistent, Self-confident</li><li>• Tolerant of stress</li><li>• Willing to assume responsibility</li></ul>	<ul style="list-style-type: none"><li>• Clever (intelligent)</li><li>• Conceptually skilled</li><li>• Creative</li><li>• Diplomatic and tactful</li><li>• Fluent in speaking</li><li>• Knowledgeable about group task</li><li>• Organized (administrative ability)</li><li>• Persuasive</li><li>• Socially skilled</li></ul>

McCall and Lombardo (1983) researched both success and failure identified four primary traits by which leaders could succeed or 'derail':

- **Emotional stability and composure:** Calm, confident and predictable, particularly when under stress.
- **Admitting error:** Owning up to mistakes, rather than putting energy into covering up.
- **Good interpersonal skills:** Able to communicate and persuade others without resort to negative or coercive tactics.

- **Intellectual breadth:** Able to understand a wide range of areas, rather than having a narrow (and narrow-minded) area of expertise.

### **Discussion**

There have been many different studies of leadership traits and they agree only in the general saintly qualities needed to be a leader.

For a long period, inherited traits were sidelined as learned and situational factors were considered to be far more realistic as reasons for people acquiring leadership positions.

Paradoxically, the research into twins who were separated at birth along with new sciences such as Behavioral Genetics have shown that far more is inherited than was previously supposed. Perhaps one day they will find a ‘leadership gene’.

### **3. Behavioral Theory:**

#### **Assumptions**

- Leaders can be made, rather than are born.
- Successful leadership is based in definable, learnable behavior.

#### **Description**

Behavioral theories of leadership do not seek inborn traits or capabilities. Rather, they look at what leaders actually *do*.

If success can be defined in terms of describable actions, then it should be relatively easy for other people to act in the same way. This is easier to teach and learn than to adopt the more ephemeral ‘traits’ or ‘capabilities’.

#### **Discussion**

Behavioral is a big leap from Trait Theory, in that it assumes that leadership capability can be learned, rather than being inherent. This opens the floodgates to leadership development, as opposed to simple psychometric assessment that sorts those with leadership potential from those who will never have the chance.

A behavioral theory is relatively easy to develop, as you simply assess both leadership success and the actions of leaders. With a large enough study, you can then correlate statistically significant behaviors with success. You can also identify behaviors which contribute to failure, thus adding a second layer of understanding.

## **a. Role theory**

### **Assumptions**

- People define roles for themselves and others based on social learning and reading.
- People form expectations about the roles that they and others will play.
- People subtly encourage others to act within the role expectations they have for them.
- People will act within the roles they adopt.

### **Description**

We all have internal schemas about the role of leaders, based on what we read, discuss and so on. We subtly send these expectations to our leaders, acting as *role senders*, for example through the balance of decisions we take upon ourselves and the decisions we leave to the leader.

Leaders are influenced by these signals, particularly if they are sensitive to the people around them, and will generally conform to these, playing the leadership role that is put upon them by others.

Within organizations, there is much formal and informal information about what the leader's role should be, including 'leadership values', culture, training sessions, modeling by senior managers, and so on. These and more (including contextual factors) act to shape expectations and behaviors around leadership.

*Role conflict* can also occur when people have differing expectations of their leaders. It also happens when leaders have different ideas about what they should be doing vs. the expectations that are put upon them.

### **Discussion**

Role expectations of a leader can vary from very specific to a broad idea within which the leader can define their own style.

When role expectations are low or mixed, then this may also lead to role conflict.

## **b. Managerial Grid**

### **Description**

Leaders may be concerned for their people and they also must also have some concern for the work to be done. The question is, how much attention to they pay to one or the other? This is a model defined by Blake and Mouton in the early 1960s.



<b>Concern for People</b>	<i>High</i>	<b>Country Club management</b>		<b>Team management</b>
	<i>Medium</i>		<b>Middle of the road management</b>	
	<i>Low</i>	<b>Impoverished management</b>		<b>Authority-compliance</b>
		<i>Low</i>	<i>Medium</i>	<i>High</i>
		<b>Concern for Production (Task)</b>		

**Impoverished management**

Minimum effort to get the work done, a basically lazy approach that avoids as much work as possible.

**Authority-compliance**

Strong focus on task, but with little concern for people Focus on efficiency, including the elimination of people wherever possible.

**Country Club management**

Care and concern for the people, with a comfortable and friendly environment and collegial style. But a low focus on task may give questionable results.

**Middle of the road management**

A weak balance of focus on both people and the work. Doing enough to get things done, but not pushing the boundaries of what may be possible.

**Team management**

Firing on all cylinders: people are committed to task and leader is committed to people (as well as task).

## **Discussion**

This is a well-known grid that uses the Task vs. Person preference that appears in many other studies, such as the Michigan Leadership Studies and the Ohio State Leadership Studies. Many other task-people models and variants have appeared since then. They are both clearly important dimensions, but as other models point out, they are not all there is to leadership and management.

The Managerial Grid was the original name. It later changed to the Leadership Grid.

### **4. Participative leadership theory**

#### **Assumptions**

- Involvement in decision-making improves the understanding of the issues involved by those who must carry out the decisions.
- People are more committed to actions where they have involved in the relevant decision-making.
- People are less competitive and more collaborative when they are working on joint goals.
- When people make decisions together, the social commitment to one another is greater and thus increases their commitment to the decision.
- Several people deciding together make better decisions than one person alone.

#### **Style**

A Participative Leader, rather than taking autocratic decisions, seeks to involve other people in the process, possibly including subordinates, peers, superiors and other stakeholders. Often, however, as it is within the managers' whim to give or deny control to his or her subordinates, most participative activity is within the immediate team. The question of how much influence others are given thus may vary on the manager's preferences and beliefs, and a whole spectrum of participation is possible, as in the table below.

< Not participative

Highly participative >

Autocratic decision by leader	Leader proposes decision, listens to feedback, then decides	Team proposes decision, leader has final decision	Joint decision with team as equals	Full delegation of decision to team
-------------------------------	---	---	------------------------------------	-------------------------------------

There are many varieties on this spectrum, including stages where the leader sells the idea to the team. Another variant is for the leader to describe the ‘what’ of objectives or goals and let the team or individuals decide the ‘how’ of the process by which the ‘how’ will be achieved (this is often called ‘Management by Objectives’).

The level of participation may also depend on the type of decision being made. Decisions on how to implement goals may be highly participative, whilst decisions during subordinate performance evaluations are more likely to be taken by the manager.

## Discussion

There are many potential benefits of participative leadership, as indicated in the [assumptions](#), above.

This approach is also known as consultation, empowerment, joint decision-making, democratic leadership, Management By Objective (MBO) and power-sharing.

Participative Leadership can be a sham when managers ask for opinions and then ignore them. This is likely to lead to cynicism and feelings of betrayal.

### a. Lewin’s leadership styles

#### Description

Kurt Lewin and colleagues did leadership decision experiments in 1939 and identified three different styles of leadership, in particular around decision-making.

#### I. Autocratic

In the autocratic style, the leader takes decisions without consulting with others. The decision is made without any form of consultation. In Lewin’s experiments, he found that this caused the most level of discontent.

An autocratic style works when there is no need for input on the decision, where the decision would not change as a result of input, and where the motivation of people to carry out subsequent actions would not be affected whether they were or were not involved in the decision-making.

## **II. Democratic**

In the democratic style, the leader involves the people in the decision-making, although the process for the final decision may vary from the leader having the final say to them facilitating consensus in the group.

Democratic decision-making is usually appreciated by the people, especially if they have been used to autocratic decisions with which they disagreed. It can be problematic when there are a wide range of opinions and there is no clear way of reaching an equitable final decision.

## **III. Laissez-Faire**

The laissez-faire style is to minimize the leader's involvement in decision-making, and hence allowing people to make their own decisions, although they may still be responsible for the outcome.

Laissez-faire works best when people are capable and motivated in making their own decisions, and where there is no requirement for a central coordination, for example in sharing resources across a range of different people and groups.

## **Discussion**

In Lewin his colleagues experiments, he discovered that the most effective style was Democratic. Excessive autocratic styles led to revolution, whilst under a Laissez-faire approach, people were not coherent in their work and did not put in the energy that they did when being actively led.

These experiments were actually done with groups of children, but were early in the modern era and were consequently highly influential.

### **b. Likert's leadership styles**

#### **Description**

Rensis Likert identified four main styles of leadership, in particular around decision-making and the degree to which people are involved in the decision.

## **I. Exploitive authoritative**

In this style, the leader has a low concern for people and uses such methods as threats and other fear-based methods to achieve conformance. Communication is almost entirely downwards and the psychologically distant concerns of people are ignored.

## **II. Benevolent authoritative**

When the leader adds concern for people to an authoritative position, a 'benevolent dictatorship' is formed. The leader now uses rewards to encourage appropriate performance and listens more to concerns lower down the organization, although what they hear is often rose-tinted, being limited to what their subordinates think that the boss wants to hear. Although there may be some delegation of decisions, almost all major decisions are still made centrally.

## **III. Consultative**

The upward flow of information here is still cautious and rose-tinted to some degree, although the leader is making genuine efforts to listen carefully to ideas. Nevertheless, major decisions are still largely centrally made.

## **IV. Participative**

At this level, the leader makes maximum use of participative methods, engaging people lower down the organization in decision-making. People across the organization are psychologically closer together and work well together at all levels.

## **Discussion**

This is a classic 1960s view in that it is still very largely top-down in nature, with the cautious addition collaborative elements towards the Utopian final state.

## **5. Situational Leadership**

### **Assumptions**

- The best action of the leader depends on a range of situational factors.

### **Style**

When a decision is needed, an effective leader does not just fall into a single preferred style, such as using transactional or transformational methods. In practice, as they say, things are not that simple.

Factors that affect situational decisions include motivation and capability of followers. This, in turn, is affected by factors within the particular situation. The

relationship between followers and the leader may be another factor that affects leader behavior as much as it does follower behavior.

The leaders' perception of the follower and the situation will affect what they do rather than the truth of the situation. The leader's perception of themselves and other factors such as stress and mood will also modify the leaders' behavior.

Yukl (1989) seeks to combine other approaches and identifies six variables:

- ***Subordinate effort:*** the motivation and actual effort expended.
- ***Subordinate ability and role clarity:*** followers knowing what to do and how to do it.
- ***Organization of the work:*** the structure of the work and utilization of resources.
- ***Cooperation and cohesiveness:*** of the group in working together.
- ***Resources and support:*** the availability of tools, materials, people, etc.
- ***External coordination:*** the need to collaborate with other groups.

Leaders here work on such factors as external relationships, acquisition of resources, managing demands on the group and managing the structures and culture of the group.

## **Discussion**

Tannenbaum and Schmidt (1958) identified three forces that led to the leader's action: the forces in the situation, the forces in then follower and also forces in the leader. This recognizes that the leader's style is highly variable, and even such distant events as a family argument can lead to the displacement activity of a more aggressive stance in an argument than usual.

Maier (1963) noted that leaders not only consider the likelihood of a follower accepting a suggestion, but also the overall importance of getting things done. Thus in critical situations, a leader is more likely to be directive in style simply because of the implications of failure.

### **a. Hersey and Blanchard's Approach**

#### **Assumptions**

Hersey and Blanchard (1999) and other books suggest leaders should adapt their style to follower development style (or 'maturity'), based on how ready and willing the follower is to perform required tasks (that is, their competence and motivation).

There are four leadership styles (S1 to S4) that match the development levels (D1 to D4) of the followers.

The four styles suggest that leaders should put greater or less focus on the task in question and/or the relationship between the leader and the follower, depending on the development level of the follower.

**Style**

		<i>Follower development level</i>			
		Low		High	
Leadership style in response to follower development level		R4	R3	R2	R1
		<i>Task / directive behavior</i>			
		Low		High	
<i>Relationship / supportive behavior</i>	High		<b>S3 Participating</b>	<b>S2 Selling</b>	
	Low	<b>S4 Delegating</b>			<b>S1 Telling</b>

**S1: Telling / Directing**

Follower: R1: Low competence, low commitment / Unable and unwilling or insecure

Leader: High task focus, low relationship focus

When the follower cannot do the job and is unwilling or afraid to try, then the leader takes a highly directive role, telling them what to do but without a great deal of concern for the relationship. The leader may also provide a working structure, both for the job and in terms of how the person is controlled.

The leader may first find out why the person is not motivated and if there are any limitations in ability. These two factors may be linked, for example where a person believes they are less capable than they should be may be in some form of denial or other coping. The follower may also lack self-confidence as a result.

If the leader focused more on the relationship, the follower may become confused about what must be done and what is optional. The leader thus maintains a clear 'do this' position to ensure all required actions are clear.

### **S2: Selling / Coaching**

Follower: R2: Some competence, variable commitment / Unable but willing or motivated

Leader: High task focus, high relationship focus

When the follower can do the job, at least to some extent, and perhaps is over-confident about their ability in this, then 'telling' them what to do may demotivate them or lead to resistance. The leader thus needs to 'sell' another way of working, explaining and clarifying decisions.

The leader thus spends time listening and advising and, where appropriate, helping the follower to gain necessary skills through coaching methods.

Note: S1 and S2 are leader-driven.

### **S3: Participating / Supporting**

Follower: R3: High competence, variable commitment / Able but unwilling or insecure

Leader: Low task focus, high relationship focus

When the follower can do the job, but is refusing to do it or otherwise showing insufficient commitment, the leader need not worry about showing them what to do, and instead is concerned with finding out why the person is refusing and thence persuading them to cooperate.

There is less excuse here for followers to be reticent about their ability, and the key is very much around motivation. If the causes are found then they can be addressed by the leader. The leader thus spends time listening, praising and otherwise making the follower feel good when they show the necessary commitment.



#### **S4: Delegating / Observing**

Follower: R4: High competence, high commitment / Able and willing or motivated

Leader: Low task focus, low relationship focus

When the follower can do the job and is motivated to do it, then the leader can basically leave them to it, largely trusting them to get on with the job although they also may need to keep a relatively distant eye on things to ensure everything is going to plan.

Followers at this level have less need for support or frequent praise, although as with anyone, occasional recognition is always welcome.

Note: S3 and S4 are follower-led.

#### **Discussion**

Hersey and Blanchard (of 'One Minute Manager' fame) have written a short and very readable book on the approach. It is simple and easy to understand, which makes it particularly attractive for practicing managers who do not want to get into heavier material. It also is accepted in wider spheres and often appears in college courses.

It is limited, however, and is based on assumptions that can be challenged, for example the assumption that at the 'telling' level, the relationship is of lower importance.

#### **b. Vroom and Yetton's Normative Model**

##### **Assumptions of this theory are:**

- Decision acceptance increases commitment and effectiveness of action.
- Participation increases decision acceptance.

##### **Description**

**Decision quality** is the selection of the best alternative, and is particularly important when there are many alternatives. It is also important when there are serious implications for selecting (or failing to select) the best alternative.

**Decision acceptance** is the degree to which a follower accepts a decision made by a leader. Leaders focus more on decision acceptance when decision quality is more important.

Vroom and Yetton defined five different decision procedures. Two are autocratic (A1 and A2), two are consultative (C1 and C2) and one is Group based (G2).

A1: Leader takes known information and then decides alone.

A2: Leader gets information from followers, and then decides alone.

C1: Leader shares problem with followers individually, listens to ideas and then decides alone.

C2: Leader shares problems with followers as a group, listens to ideas and then decides alone.

G2: Leader shares problems with followers as a group and then seeks and accepts consensus agreement.

**Situational factors that influence the method are relatively logical:**

- When decision quality is important and followers possess useful information, then A1 and A2 are not the best method.
- When the leader sees decision quality as important but followers do not, then G2 is inappropriate.
- When decision quality is important, when the problem is unstructured and the leader lacks information / skill to make the decision alone, then G2 is best.
- When decision acceptance is important and followers are unlikely to accept an autocratic decision, then A1 and A2 are inappropriate.
- When decision acceptance is important but followers are likely to disagree with one another, then A1, A2 and C1 are not appropriate, because they do not give opportunity for differences to be resolved.
- When decision quality is not important but decision acceptance is critical, then G2 is the best method.
- When decision quality is important, all agree with this, and the decision is not likely to result from an autocratic decision then G2 is best.

**Discussion**

Vroom and Yetton (1973) took the earlier generalized situational theories that noted how situational factors cause almost unpredictable leader behavior and reduced this to a more limited set of behaviors.

The 'normative' aspect of the model is that it was defined more by rational logic than by long observation.

The model is most likely to work when there is clear and accessible opinions about the decision quality importance and decision acceptance factors. However these are not always known with any significant confidence.

### **c. Path-Goal Theory of Leadership**

#### **Description**

The Path-Goal Theory of Leadership was developed to describe the way that leaders encourage and support their followers in achieving the goals they have been set by making the path that they should take clear and easy.

In particular, leaders:

- Clarify the path so subordinates know which way to go.
- Remove roadblocks that are stopping them going there.
- Increasing the rewards along the route.

Leaders can take a strong or limited approach in these. In clarifying the path, they may be directive or give vague hints. In removing roadblocks, they may scour the path or help the follower move the bigger blocks. In increasing rewards, they may give occasional encouragement or pave the way with gold.

This variation in approach will depend on the situation, including the follower's capability and motivation, as well as the difficulty of the job and other contextual factors.

### **I. House and Mitchell (1974) describe four styles of leadership:**

#### **i. Supportive leadership**

Considering the needs of the follower, showing concern for their welfare and creating a friendly working environment. This includes increasing the follower's self-esteem and making the job more interesting. This approach is best when the work is stressful, boring or hazardous.

#### **ii. Directive leadership**

Telling followers what needs to be done and giving appropriate guidance along the way. This includes giving them schedules of specific work to be done at specific times. Rewards may also be increased as needed and role ambiguity decreased (by telling them what they should be doing).

This may be used when the task is unstructured and complex and the follower is inexperienced. This increases the follower's sense of security and control and hence is appropriate to the situation.

### **iii. Participative leadership**

Consulting with followers and taking their ideas into account when making decisions and taking particular actions. This approach is best when the followers are expert and their advice is both needed and they expect to be able to give it.

### **iv. Achievement-oriented leadership**

Setting challenging goals, both in work and in self-improvement (and often together). High standards are demonstrated and expected. The leader shows faith in the capabilities of the follower to succeed. This approach is best when the task is complex.

## **Discussion**

Leaders who show the way and help followers along a path are effectively 'leading'.

This approach assumes that there is one right way of achieving a goal and that the leader can see it and the follower cannot. This casts the leader as the knowing person and the follower as dependent.

It also assumes that the follower is completely rational and that the appropriate methods can be deterministically selected depending on the situation.

## **6. Contingency Theory**

### **Assumptions**

- The leader's ability to lead is contingent upon various situational factors, including the leader's preferred style, the capabilities and behaviors of followers and also various other situational factors.

### **Description**

Contingency theories are a class of behavioral theory that contends that there is no one best way of leading and that a leadership style that is effective in some situations may not be successful in others.

An effect of this is that leaders who are very effective at one place and time may become unsuccessful either when transplanted to another situation or when the factors around them change.

This helps to explain how some leaders who seem for a while to have the ‘Midas touch’ suddenly appear to go off the boil and make very unsuccessful decisions.

## **Discussion**

Contingency theory is similar to situational theory in that there is an assumption of no simple one right way. The main difference is that situational theory tends to focus more on the behaviors that the leader should adopt, given situational factors (often about follower behavior), whereas contingency theory takes a broader view that includes contingent factors about leader capability and other variables within the situation.

### **a. Fiedler’s Least Preferred Co-worker (LPC) Theory**

#### **Assumptions**

- Leaders prioritize between task-focus and people-focus.
- Relationships, power and task structure are the three key factors that drive effective styles.

#### **Description**

Fiedler identified the a Least Preferred Co-Worker scoring for leaders by asking them first to think of a person with which they worked that they would like least to work with again, and then to score the person on a range of scales between positive factors (friendly, helpful, cheerful, etc.) and negative factors (unfriendly, unhelpful, gloomy, etc.). A high LPC leader generally scores the other person as positive and a low LPC leader scores them as negative.

High LPC leaders tend to have close and positive relationships and act in a supportive way, even prioritizing the relationship before the task. Low LPC leaders put the task first and will turn to relationships only when they are satisfied with how the work is going.

Three factors are then identified about the leader, member and the task, as follows:

- ***Leader-Member Relations:*** The extent to which the leader has the support and loyalties of followers and relations with them are friendly and cooperative.
- ***Task structure:*** The extent, to which tasks are standardized, documented and controlled.
- ***Leader’s Position-power:*** The extent to which the leader has authority to assess follower performance and give reward or punishment.

The best LPC approach depends on a combination of these three. Generally, a high LPC approach is best when leader-member relations are poor, except when the task is unstructured and the leader is weak, in which a low LPC style is better.

#	Leader-Member Relations	Task structure	Leader's Position-power	Most Effective leader
1	Good	Structured	Strong	Low LPC
2	Good	Structured	Weak	Low LPC
3	Good	Unstructured	Strong	Low LPC
4	Good	Unstructured	Weak	High LPC
5	Poor	Structured	Strong	High LPC
6	Poor	Structured	Weak	High LPC
7	Poor	Unstructured	Strong	High LPC
8	Poor	Unstructured	Weak	Low LPC

## Discussion

This approach seeks to identify the underlying beliefs about people, in particular whether the leader sees others as positive (high LPC) or negative (low LPC). The neat trick of the model is to take someone where it would be very easy to be negative about them.

This is another approach that uses task- vs. people-focus as a major categorization of the leader's style.

## **b. Cognitive Resource Theory**

### **Assumptions**

- Intelligence and experience and other cognitive resources are factors in leadership success.
- Cognitive capabilities, although significant are not enough to predict leadership success.
- Stress impacts the ability to make decisions.

### **Description**

Cognitive Resource Theory predicts that:

***1. A leader's cognitive ability contributes to the performance of the team only when the leader's approach is directive.***

When leaders are better at planning and decision-making, in order for their plans and decisions to be implemented, they need to tell people what to do, rather than hope they agree with them.

When they are not better than people in the team, then a non-directive approach is more appropriate, for example where they facilitate an open discussion where the ideas of team can be aired and the best approach identified and implemented.

***2. Stress affects the relationship between intelligence and decision quality.***

When there is low stress, then intelligence is fully functional and makes an optimal contribution. However, during high stress, a natural intelligence not only makes no difference, but it may also have a *negative* effect. One reason for this may be that an intelligent person seeks rational solutions, which may not be available (and may be one of the causes of stress). In such situations, a leader who is inexperienced in 'gut feel' decisions is forced to rely on this unfamiliar approach. Another possibility is that the leader retreats within him/herself, to think hard about the problem, leaving the group to their own devices.

***3. Experience is positively related to decision quality under high stress.***

When there is a high stress situation and intelligence is impaired, experience of the same or similar situations enables the leader to react in appropriate ways without having to think carefully about the situation. Experience of decision-making under stress also will contribute to a better decision than trying to muddle through with brain-power alone.

#### ***4. For simple tasks, leader intelligence and experience is irrelevant.***

When subordinates are given tasks which do not need direction or support, then it does not matter how good the leader is at making decisions, because they are easy to make, even for subordinates, and hence do not need any further support.

#### **Discussion**

CRT arose out of dissatisfaction with Trait Theory.

Fiedler also linked CRT with his Least Preferred Co-worker (LPC) Theory, suggesting that high LPC scores are the main drivers of directive behavior.

A particularly significant aspect of CRT is the principle that intelligence is the main factor in low-stress situations, whilst experience counts for more during high-stress moments.

#### **c. Strategic Contingencies Theory**

##### **Description**

Intraorganizational power depends on three factors: problem skills, actor centrality and uniqueness of skill.

If you have the skills and expertise to resolve important problems, then you are going to be in demand. And by the law of supply and demand, that gives you the upper hand in negotiations. It also gives you power from the reciprocity created.

If you work in a central part of the workflow of the organization, then what you do is very important. This gives you many opportunities to be noticed. It also means you are on the critical path, such that if your part of the company fails, the whole show stops. Again creating attention and giving you bargaining power.

Finally, if you are difficult to replace, then if you do make enemies up the hierarchy, then they cannot just move you out or sideways.

##### **Example**

A production manager in an organization is in charge of a key manufacturing operation (centrality), and understands its complexities very well (uniqueness). From a long experience, when things go wrong, he is very good at fixing things, both mechanically and with the unions.



## **So what?**

### **Using it**

Get a job on the critical path through the organization. Become expert in problem solving in it. Acquire and defend knowledge and skills that nobody else has.

### **Defending**

Do not let any one person become indispensable.

## **7. Transactional Leadership**

### **Assumptions**

- People are motivated by reward and punishment.
- Social systems work best with a clear chain of command.
- When people have agreed to do a job, a part of the deal is that they cede all authority to their manager.
- The prime purpose of a subordinate is to do what their manager tells them to do.

### **Style**

The transactional leader works through creating clear structures whereby it is clear what is required of their subordinates, and the rewards that they get for following orders. Punishments are not always mentioned, but they are also well-understood and formal systems of discipline are usually in place.

The early stage of Transactional Leadership is in negotiating the contract whereby the subordinate is given a salary and other benefits, and the company (and by implication the subordinate's manager) gets authority over the subordinate.

When the Transactional Leader allocates work to a subordinate, they are considered to be fully responsible for it, whether or not they have the resources or capability to carry it out. When things go wrong, then the subordinate is considered to be personally at fault, and is punished for their failure (just as they are rewarded for succeeding).

The transactional leader often uses *management by exception*, working on the principle that if something is operating to defined (and hence expected) performance then it does not need attention. Exceptions to expectation require praise and reward for exceeding expectation, whilst some kind of corrective action is applied for performance below expectation.

Whereas Transformational Leadership has more of a ‘selling’ style, Transactional Leadership, once the contract is in place, takes a ‘telling’ style.

## **Discussion**

Transactional leadership is based in *contingency*, in that reward or punishment is contingent upon performance.

Despite much research that highlights its limitations, Transactional Leadership is still a popular approach with many managers. Indeed, in the Leadership vs. Management spectrum, it is very much towards the management end of the scale.

The main limitation is the assumption of ‘rational man’, a person who is largely motivated by money and simple reward, and hence whose behavior is predictable. The underlying psychology is Behaviorism, including the Classical Conditioning of Pavlov and Skinner’s Operant Conditioning. These theories are largely based on controlled laboratory experiments (often with animals) and ignore complex emotional factors and social values.

In practice, there is sufficient truth in Behaviorism to sustain Transactional approaches. This is reinforced by the supply-and-demand situation of much employment, coupled with the effects of deeper needs, as in Maslow’s Hierarchy. When the demand for a skill outstrips the supply, then Transactional Leadership often is insufficient, and other approaches are more effective.

### **a. Leader-Member Exchange (LMX) Theory**

#### **Description**

Leader-Member Exchange Theory, also called *LMX* or *Vertical Dyad Linkage Theory*, describes how leaders in groups maintain their position through a series of tacit exchange agreements with their members.

#### **In-group and out-group**

In particular, leaders often have a special relationship with an inner circle of trusted lieutenants, assistants and advisors, to whom they give high levels of responsibility, decision influence, and access to resources. This in-group pay for their position. They work harder, are more committed to task objectives, and share more administrative duties. They are also expected to be fully committed and loyal to their leader. The out-group, on the other hand, is given low levels of choice or influence.

This also puts constraints upon the leader. They have to nurture the relationship with their inner circle whilst balancing giving them power with ensuring they do not have enough to strike out on their own.

### **The LMX process**

These relationships, if they are going to happen, start very soon after a person joins the group and follow three stages.

#### **1. Role taking**

The member joins the team and the leader assesses their abilities and talents. Based on this, the leader may offer them opportunities to demonstrate their capabilities.

Another key factor in this stage is the discovery by both parties of how the other likes to be respected.

#### **2. Role making**

In the second phase, the leader and member take part in an unstructured and informal negotiation whereby a role is created for the member and the often-tacit promise of benefit and power in return for dedication and loyalty takes place.

Trust-building is very important in this stage, and any felt betrayal, especially by the leader, can result in the member being relegated to the out-group.

This negotiation includes relationship factors as well as pure work-related ones, and a member who is similar to the leader in various ways is more likely to succeed. This perhaps explains why mixed gender relationships regularly are less successful than same-gender ones (it also affects the seeking of respect in the first stage). The same effect also applies to cultural and racial differences.

#### **3. Routinization**

In this phase, a pattern of ongoing social exchange between the leader and the member becomes established.

### **Success factors**

Successful members are thus similar in many ways to the leader (which perhaps explains why many senior teams are all white, male, middle-class and middle-aged). They work hard at building and sustaining trust and respect.

To help this, they are empathetic, patient, reasonable, sensitive, and are good at seeing the viewpoint of other people (especially the leader). Aggression, sarcasm and an egocentric view are keys to the out-group wash-room.

The overall quality of the LMX relationship varies with several factors. Curiously, it is better when the challenge of the job is extremely high *or* extremely low. The size of the group, financial resource availability and the overall workload are also important.

### **Onwards and upwards**

The principle works upwards as well. The leader also gains power by being a member of their manager's inner circle, which then can then share on downwards. People at the bottom of an organization with unusual power may get it from an unbroken chain of circles up to the hierarchy.

### **So what?**

#### **Using it**

When you join a team, work hard to also join the inner circle. Take on more than your share of administrative and other tasks. Demonstrate unswerving loyalty. See your leader's point of view. Be reasonable and supportive in your challenges to them, and pick your moments carefully.

As a leader, pick your inner circle with care. Reward them for their loyalty and hard work, whilst being careful about maintaining commitment of other people.

### **Defending**

If you want to be an 'ordinary' member of a team, play your part carefully. There will be others with more power. If you want to lead an equal team, beware of those who carry favor.

## **8. Transformational Leadership**

### **Assumptions**

- People will follow a person who inspires them.
- A person with vision and passion can achieve great things.
- The way to get things done is by injecting enthusiasm and energy.

## **Style**

Working for a Transformational Leader can be a wonderful and uplifting experience. They put passion and energy into everything. They care about you and want you to succeed.

## **Developing the vision**

Transformational Leadership starts with the development of a vision, a view of the future that will excite and convert potential followers. This vision may be developed by the leader, by the senior team or may emerge from a broad series of discussions. The important factor is the leader buys into it, hook, line and sinker.

## **Selling the vision**

The next step, which in fact never stops, is to constantly sell the vision. This takes energy and commitment, as few people will immediately buy into a radical vision, and some will join the show much more slowly than others. The Transformational Leader thus takes every opportunity and will use whatever works to convince others to climb on board the bandwagon.

In order to create followers, the Transformational Leader has to be very careful in creating trust, and their personal integrity is a critical part of the package that they are selling. In effect, they are selling themselves as well as the vision.

## **Finding the way forwards**

In parallel with the selling activity is seeking the way forward. Some Transformational Leaders know the way, and simply want others to follow them. Others do not have a ready strategy, but will happily lead the exploration of possible routes to the Promised Land.

The route forwards may not be obvious and may not be plotted in details, but with a clear vision, the *direction* will always be known. Thus finding the way forward can be an ongoing process of course correction and the Transformational Leader will accept that there will be failures and blind canyons along the way. As long as they feel progress is being made, they will be happy.

## **Leading the charge**

The final stage is to remain up-front and central during the action. Transformational Leaders are always visible and will stand up to be counted rather than hide behind their troops. They show by their attitudes and actions how everyone

else should behave. They also make continued efforts to motivate and rally their followers, constantly doing the rounds, listening, soothing and enthusing.

It is their unswerving commitment as much as anything else that keeps people going, particularly through the darker times when some may question whether the vision can ever be achieved. If the people do not believe that they can succeed, then their efforts will flag. The Transformational Leader seeks to infect and reinfect their followers with a high level of commitment to the vision.

One of the methods the Transformational Leader uses to sustain motivation is in the use of ceremonies, rituals and other cultural symbolism. Small changes get big hurrahs, pumping up their significance as indicators of real progress.

Overall, they balance their attention between action that creates progress and the mental state of their followers. Perhaps more than other approaches, they are people-oriented and believe that success comes first and last through deep and sustained commitment.

## **Discussion**

Whilst the Transformational Leader seeks overtly to transform the organization, there is also a tacit promise to followers that they also will be transformed in some way, perhaps to be more like this amazing leader. In some respects, then, the followers are the *product* of the transformation.

Transformational Leaders are often charismatic, but are not as narcissistic as pure Charismatic Leaders, who succeed through a belief in themselves rather than a belief in others.

One of the traps of Transformational Leadership is that passion and confidence can easily be mistaken for truth and reality. Whilst it is true that great things have been achieved through enthusiastic leadership, it is also true that many passionate people have led the charge right over the cliff and into a bottomless chasm. Just because someone *believes* they are right, it does not mean they *are* right.

Paradoxically, the energy that gets people going can also cause them to give up. Transformational Leaders often have large amounts of enthusiasm which, if relentlessly applied, can wear out their followers.

Transformational Leaders also tend to see the big picture, but not the details, where the devil often lurks. If they do not have people to take care of this level of information, then they are usually doomed to fail.

Finally, Transformational Leaders, by definition, seek to transform. When the organization does not need transforming and people are happy as they are, then such a leader will be frustrated. Like wartime leaders, however, given the right situation they come into their own and can be personally responsible for saving entire companies.

### **a. Bass' Transformational Leadership Theory**

#### **Assumptions**

- Awareness of task importance motivates people.
- A focus on the team or organization produces better work.

#### **Description**

Bass defined transformational leadership in terms of how the leader affects followers, who are intended to trust, admire and respect the transformational leader.

He identified three ways in which leaders transform followers:

- Increasing their awareness of task importance and value.
- Getting them to focus first on team or organizational goals, rather than their own interests.
- Activating their higher-order needs.

Charisma is seen as necessary, but not sufficient, for example in the way that charismatic movie stars may not make good leaders. Two key charismatic effects that transformational leaders achieve is to evoke strong emotions and to cause identification of the followers with the leader. This may be through stirring appeals. It also may occur through quieter methods such as coaching and mentoring.

Bass has recently noted that authentic transformational leadership is grounded in moral foundations that are based on four components:

- Idealized influence
- Inspirational motivation
- Intellectual stimulation

- Individualized consideration

...and three moral aspects:

- The moral character of the leader.
- The ethical values embedded in the leader's vision, articulation, and program (which followers either embrace or reject).
- The morality of the processes of social ethical choice and action that leaders and followers engage in and collectively pursue.

This is in contrast with pseudo-transformational leadership, where, for example, in-group/out-group 'us and them' games is used to bond followers to the leader.

## **Discussion**

In contrast to Burns, who sees transformational leadership as being inextricably linked with higher order values, Bass originally saw it as amoral, and attributed transformational skills to people such as Adolf Hitler and Jim Jones, although later changed his view after discussion with Burns.

## **b. Burns' Transformational Leadership Theory**

### **Assumptions**

- Association with a higher moral position is motivating and will result in people following a leader who promotes this.
- Working collaboratively is better than working individually.

### **Description**

Burns defined transformational leadership as a process where leaders and followers engage in a mutual process of 'raising one another to higher levels of morality and motivation.'

Transformational leaders raise the bar by appealing to higher ideals and values of followers. In doing so, they may model the values themselves and use charismatic methods to attract people to the values and to the leader.

Burns' view is that transformational leadership is more effective than transactional leadership, where the appeal is to more selfish concerns. An appeal to social values thus encourages people to collaborate, rather than working as individuals (and potentially



competitively with one another). He also views transformational leadership as an ongoing process rather than the discrete exchanges of the transactional approach.

## **Discussion**

Using social and spiritual values as a motivational lever is very powerful as they are both hard to deny and also give people an uplifting sense of being connected to a higher purpose, thus playing to the need for a sense of meaning and identity.

Ideals are higher in Maslow's Hierarchy, which does imply that lower concerns such as health and security must be reasonably safe before people will pay serious attention to the higher possibilities.

### **c. The Leadership Challenge**

James Kouzes and Barry Posner developed a survey (The Leadership Practices Inventory) that asked people which, of a list of common characteristics of leaders, were, in their experiences of being led by others, the seven top things they look for, admire and would *willingly* follow. And over twenty years, they managed ask this of seventy five thousand people.

The results of the study showed that people preferred the following characteristics, in order:

- Honest
- Forward-looking
- Competent
- Inspiring
- Intelligent
- Fair-minded
- Broad-minded
- Supportive
- Straightforward
- Dependable
- Cooperative

- Determined
- Imaginative
- Ambitious
- Courageous
- Caring
- Mature
- Loyal
- Self-controlled
- Independent

The main part of the book discusses the five actions that Kouzes and Posner identify as being key for successful leadership:

### **Model the way**

Modeling means going first, living the behaviors you want others to adopt. This is leading from the front. People will believe not what they hear leaders say but what they see leader consistently do.

### **Inspire a shared vision**

People are motivated most not by fear or reward, but by ideas that capture their imagination.

Note that this is not so much about having a vision, but communicating it so effectively that others take it as their own.

### **Challenge the process**

Leaders thrive on and learn from adversity and difficult situations. They are early adopters of innovation.

### **Enable others to act**

Encouragement and exhortation is not enough. People must feel able to act and then must have the ability to put their ideas into action.

### **Encourage the heart**

People act best of all when they are passionate about what they are doing. Leaders unleash the enthusiasm of their followers this with stories and passions of their own.

Overall, it is difficult to ignore the combined views of 75,000 people. The placing of honesty first is notable and highlights the importance of telling the truth to those they would lead. The overall process identified is clearly transformational in style, which again has a strong focus on followers.

---

## 15.5 LEADERSHIP STYLES

---

There are a number of different approaches, or ‘styles’ to leadership and management that are based on different assumptions and theories. The style that individuals use will be based on a combination of their beliefs, values and preferences, as well as the organizational culture and norms which will encourage some styles and discourage others.

**i. Charismatic Leadership:** The Charismatic Leader gathers followers through dint of personality and charm, rather than any form of external power or authority.

**ii. Participative Leadership:** A Participative Leader, rather than taking autocratic decisions, seeks to involve other people in the process, possibly including subordinates, peers, superiors and other stakeholders. Often, however, as it is within the managers’ whim to give or deny control to his or her subordinates, most participative activity is within the immediate team.

**iii. Situational Leadership:** When a decision is needed, an effective leader does not just fall into a single preferred style, such as using transactional or transformational methods. In practice, as they say, things are not that simple.

**iv. Transactional Leadership:** The transactional leader works through creating clear structures whereby it is clear what is required of their subordinates, and the rewards that they get for following orders. Punishments are not always mentioned, but they are also well-understood and formal systems of discipline are usually in place.

**v. Transformational Leadership:** Working for a Transformational Leader can be a wonderful and uplifting experience. They put passion and energy into everything. They care about you and want you to succeed.

**vi. The Quiet Leader:** The approach of quiet leaders is the antithesis of the classic charismatic (and often transformational) leaders in that they base their success not on ego and force of character but on their thoughts and actions. Although they are strongly task-focused, they are neither bullies nor unnecessarily unkind and may

persuade people through rational argument and a form of benevolent Transactional Leadership.

**Servant Leadership:** The servant leader serves others, rather than others serving the leader. Serving others thus comes by helping them to achieve and improve.

---

## **15.6 QUALITIES OF A GOOD LEADER**

---

With the above detailed discussion of theories and styles of a leadership, we can arrive at following qualities of a good leader:

### **i. Inspire action.**

Try to paint a vision of the future that inspires your people to do whatever it takes to get there. The best leaders also clear away the organizational roadblocks that constrain employees' natural creativity and initiative, unleashing a tremendous amount of energy in the process.

### **ii. Be optimistic.**

We all want to work with and for people who lift us up into the clouds instead of dragging us down into the mud. Make sure to seek out the positives in your people, helping them overcome their own feelings of self-doubt and spreading optimism throughout your organization.

### **iii. Have integrity.**

Research shows that the top thing that employees want from their leaders is integrity. Be honest, fair, candid and forthright, and treat everyone in the same way that you yourself would want to be treated.

### **iv. Support and facilitate your team.**

For people to do their very best work, they need an organizational environment that supports them by making it safe to take risks, to tell the truth, and to speak up ... without being punished for doing so. Support your employees by creating this kind of environment, and it will facilitate their progress toward attaining your organization's goals.

### **v. Have confidence.**

Highly effective leaders know deep down inside that they and their team can accomplish anything they set their minds to. Failure is not an option. Tentative leaders make for tentative employees. If you're confident, your people will be too.

## **vi. Communicate.**

In any organization, knowledge is power, and great leaders ensure that every employee, from the very top to the very bottom of the org chart, is provided with complete and up-to-date information about the organization's goals, performance, successes and failures. To achieve this level of connection, you should also provide ample channels for two-way communication between employees and managers, actively soliciting their ideas for improvement and rewarding employees for submitting them.

## **vii. Be decisive.**

One of the most basic duties of any leader is to make decisions. Highly effective leaders aren't afraid to be decisive and to make tough calls quickly when circumstances require it. Once you have all the information you need to make an informed decision, then don't hesitate—make it. And once you make a decision, then stick with it unless there is a particularly compelling reason for you to change it.

No matter what type of organization or industry you're in, it's possible to become a more effective leader, inspiring your people to give their very best every day of the week. Make a point of practicing these 7 leadership traits, and you will be a highly effective leader too.

---

## **15.7 SUMMARY**

---

We have examined and clarified leadership terminology especially the main theories and styles of leadership at the end we also explored the qualities of a leadership.

---

## **15.8 SELF ASSESSMENT QUESTIONS**

---

1. Define Leadership
2. Explain the formal and informal styles of leadership.
3. Discuss the great Man theory of leadership
4. Explain the Trait Theory of Leadership.
5. Discuss the Behavioral Theory of Leadership
6. Enumerate Participative Theory of Leadership
7. Explain the Situational Theory of Leadership
8. Discuss the contingency Theory of Leadership.
9. Explain the Transactional Theory of Leadership

10. Critically evaluate the transformational theory of leadership.
11. Discuss the qualities of a good leader and analyze the suitability of these qualities in the light of modern organisation.

---

## 15.9 REFERENCE

---

1. Davar. *The Management process*. Mumbai: Progressive Corporation Pvt. Ltd, 2010.
2. Harold Koontz. Heinze Weihrich. *Essentials of management*, New York: MacGraw-Hill, 1993
3. J S. Chandan. *Management Concepts and Strategies*, New Delhi: Vikas Publishing House Pvt Limited, 1997.
4. Chauhry Omvir, Prakash Singh. *Principles of Management*, New Delhi: New Age International Publishers, 2012.
5. Peter. Drucker. *Management of 21<sup>st</sup> Century*, New York: HarperBusiness, 2001.
6. Prasad L.M. *Principles of Management*, New Delhi: Sultan Chand & Sons, 2015.
7. Stoner J.A. and Freeman R.E. ***Management, New Delhi: Pearson Education India, 1995.***
8. Richard L. Daft. *Management*, Massachusetts, United States: Cengage Learning, 2013.
9. S.K. Mandal. *Management: Principles and Practice*, Mumbai: Jaico Publishing House, 2011.

---

## **UNIT-16: MOTIVATION**

---

### **Structure**

- 16.0 Objectives
- 16.1 Introduction
- 16.2 Definition of Motivation
- 16.3 Importance of Motivation
- 16.4 Essential Features of a good motivation system
- 16.5 Theories of Motivation
- 16.6 Summary
- 16.7 Self Assessment Questions
- 16.8 References

---

## 16.0 OBJECTIVES

---

After studying this unit, you should be able to:

- Define motivation
- Evaluate Importance of motivation
- Enumerate essential features of good motivation system
- Analyze various theories of motivation

---

## 16.1 INTRODUCTION

---

In the earlier units, we have discussed the process of Directing, Coordinating and leadership as functions of management; in this unit let us try to understand one more important concept of management, which is motivation.

Since motivation influences productivity, supervisors need to understand what motivates employees to reach peak performance. It is not an easy task to increase employee motivation because employees respond in different ways to their jobs and their organization's practices. **Motivation** is the set of processes that moves a person toward a goal. Thus, motivated behaviors are voluntary choices controlled by the individual employee. The supervisor (motivator) wants to influence the factors that motivate employees to higher levels of productivity.

Factors that affect work motivation include individual differences, job characteristics, and organizational practices. Individual differences are the personal needs, values, and attitudes, interests and abilities that people bring to their jobs. Job characteristics are the aspects of the position that determine its limitations and challenges. Organizational practices are the rules, human resources policies, managerial practices, and rewards systems of an organization. Supervisors must consider how these factors interact to affect employee job performance.

Let us make an attempt to study the various elements associated with motivation so that we can motivate the employees in the organisation to achieve the desired goals of an individual as well as organisational.



---

## **16.2 DEFINITION OF MOTIVATION**

---

“The willingness to exert high levels of efforts to reach organisational goals, conditioned by the effort’s ability to satisfy some individual need”

Although the general definition refers to effort toward any goal, here in our discussion it refers to organisational goals because our focus is on work related behavior. The three key elements in our definition are effort, organisational goals and needs.

The effort element is a measure of intensity. When someone is motivated he / she try hard. However high levels of effort are unlikely to lead to favorable job performance outcomes unless the effort is channeled in directions that benefit the organisation. Therefore we must consider the quality of the effort as well as its intensity. Effort that is directed toward and consistent with the organization’s goal is the kind of effort that we should be seeking,

A need in our terminology is some internal state that makes certain outcomes appear attractive. An unsatisfied need creates tension that stimulates drives with in an individual. These drives generate a search behavior to find particular goals that, if attained, will satisfy the need and reduce the tension.

---

## **16.3 IMPORTANCE OF MOTIVATION**

---

Motivation is a very important for an organization because of the following benefits it provides:

### **1. Puts Human Resources into Action**

Every concern requires physical, financial and human resources to accomplish the goals. It is through motivation that the human resources can be utilized by making full use of it. This can be done by building willingness in employees to work. This will help the enterprise in securing best possible utilization of resources.

### **2. Improves Level of Efficiency of Employees**

The level of a subordinate or a employee does not only depend upon his qualifications and abilities. For getting best of his work performance, the gap between ability and willingness has to be filled which helps in improving the level of performance of subordinates. This will result into-

- a. Increase in productivity,
- b. Reducing cost of operations, and
- c. Improving overall efficiency.

### **3. Leads to Achievement of Organizational Goals**

The goals of an enterprise can be achieved only when the following factors take place :-

- a. There is best possible utilization of resources,
- b. There is a co-operative work environment,
- c. The employees are goal-directed and they act in a purposive manner,
- d. Goals can be achieved if co-ordination and co-operation takes place simultaneously which can be effectively done through motivation.

### **4. Builds Friendly Relationship**

Motivation is an important factor which brings employees satisfaction. This can be done by keeping into mind and framing an incentive plan for the benefit of the employees. This could initiate the following things:

- a. Monetary and non-monetary incentives,
- b. Promotion opportunities for employees,
- c. Disincentives for inefficient employees.

In order to build a cordial, friendly atmosphere in a concern, the above steps should be taken by a manager. This would help in:

- Effective co-operation which brings stability,
- Industrial dispute and unrest in employees will reduce,
- The employees will be adaptable to the changes and there will be no resistance to the change,
- This will help in providing a smooth and sound concern in which individual interests will coincide with the organizational interests,
- This will result in profit maximization through increased productivity.

## 5. Leads to Stability of Work Force

Stability of workforce is very important from the point of view of reputation and goodwill of a concern. The employees can remain loyal to the enterprise only when they have a feeling of participation in the management. The skills and efficiency of employees will always be of advantage to employees as well as employees. This will lead to a good public image in the market which will attract competent and qualified people into a concern. As it is said, "Old is gold" which suffices with the role of motivation here, the older the people, more the experience and their adjustment into a concern which can be of benefit to the enterprise.

From the above discussion, we can say that motivation is an internal feeling which can be understood only by manager since he is in close contact with the employees. Needs, wants and desires are inter-related and they are the driving force to act. These needs can be understood by the manager and he can frame motivation plans accordingly. We can say that motivation therefore is a continuous process since motivation process is based on needs which are unlimited. The process has to be continued throughout.

We can summarize by saying that motivation is important both to an individual and a business. **Motivation is important to an individual as:**

1. Motivation will help him achieve his personal goals.
2. If an individual is motivated, he will have job satisfaction.
3. Motivation will help in self-development of individual.
4. An individual would always gain by working with a dynamic team.

Similarly, **motivation is important to a business as:**

1. The more motivated the employees are, the more empowered the team is.
2. The more is the team work and individual employee contribution, more profitable and successful is the business.
3. During period of amendments, there will be more adaptability and creativity.
4. Motivation will lead to an optimistic and challenging attitude at work place.

---

## 16.4 ESSENTIAL FEATURES OF A GOOD MOTIVATION SYSTEM

---

Motivation is a state of mind. High motivation leads to high morale and greater production. A motivated employee gives his best to the organization. He stays loyal and committed to the organization. A sound motivation system in an organization should have the following features:

- Superior performance should be reasonably rewarded and should be duly acknowledged.
- If the performance is not consistently up to the mark, then the system must make provisions for penalties.
- The employees must be dealt in a fair and just manner. The grievances and obstacles faced by them must be dealt instantly and fairly.
- Carrot and stick approach should be implemented to motivate both efficient and inefficient employees. The employees should treat negative consequences (such as fear of punishment) as stick, an outside push and move away from it. They should take positive consequences (such as reward) as carrot, an inner pull and move towards it.
- Performance appraisal system should be very effective.
- Ensure flexibility in working arrangements.
- A sound motivation system must be correlated to organizational goals. Thus, the individual/employee goals must be harmonized with the organizational goals.
- The motivational system must be modified to the situation and to the organization.
- A sound motivation system requires modifying the nature of individual's jobs. The jobs should be redesigned or restructured according to the requirement of situation. Any of the alternatives to job specialization - job rotation, job enlargement, job enrichment, etc. could be used.
- The management approach should be participative. All the subordinates and employees should be involved in decision- making process.

- The motivation system should involve monetary as well as non- monetary rewards. The monetary rewards should be correlated to performance. Performance should be based on the employees’ action towards the goals, and not on the fame of employees.
- “Motivate yourself to motivate your employees” should be the managerial approach.
- The managers must understand and identify the motivators for each employee.
- Sound motivation system should encourage supportive supervision whereby the supervisors share their views and experiences with their subordinates, listen to the subordinates views, and assist the subordinates in performing the designated job.

---

## 16.5 THEORIES OF MOTIVATION

---

The motivation concepts were mainly developed around 1950’s. Main theories were made during this period. For our purpose of understanding these theories can be studied under two broad heads they are:

1. Content theories of motivation
2. Process theories of motivation

### 1. Content Theories of Motivation

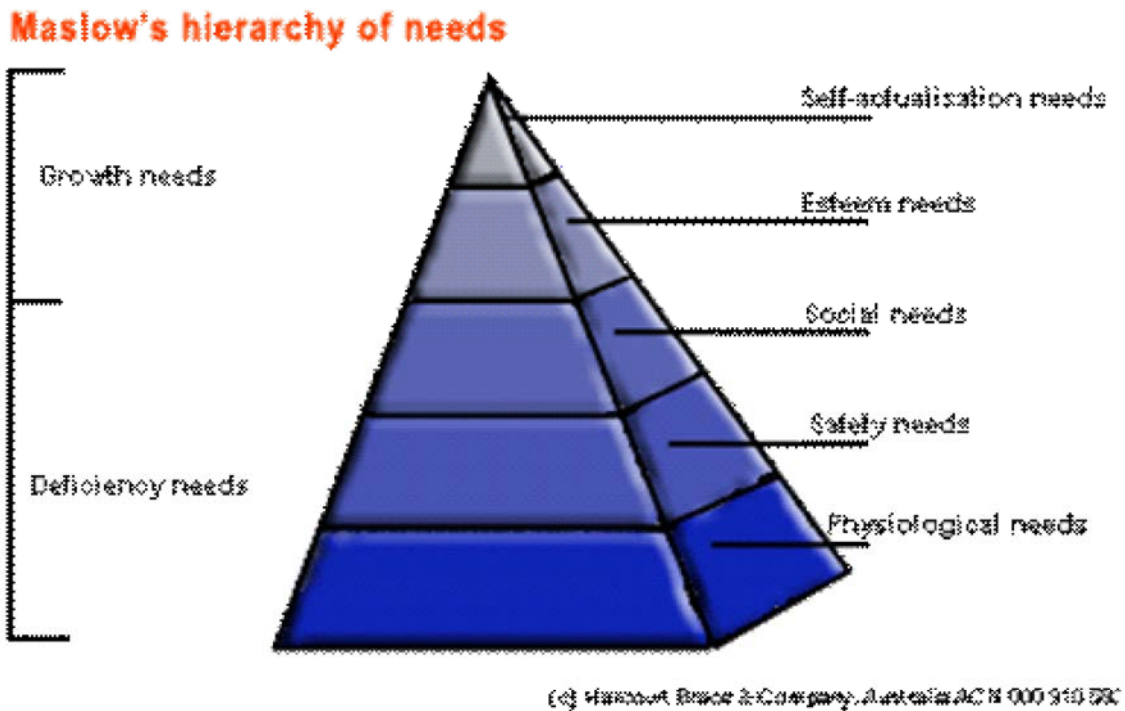
In a historical perspective, the **content theories** tend to be the earliest theories of motivation or later modifications of early theories. Within the work environment they have had the greatest impact on management practice and policy, whilst within academic circles they are the least accepted.

Content theories are also called needs theories, because they are generally associated with a view that concentrates on the importance of determining ‘what’ motivates us. In other words they try to identify what our ‘needs’ are and relate motivation to the fulfilling of these needs.

- Maslows Hierarchy of Needs
- “Management Assumptions” (Theory X and Theory Y)
- ERG Theory
- McClellands Need for Achievement, Affiliation and Power
- Herzbergs’ Two Factor Theory

## Maslows Hierarchy of Needs

This is the most widely known theory of motivation and was hypothesized by American psychologist Abraham Maslow in the 1940s and 1950s. Maslow put forward the idea that there existed a hierarchy of needs consisting of five levels in the hierarchy. These needs progressed from lower order needs through to higher level needs.



The basic premise of the theory is that we all have these **five levels of needs** and that starting at the lowest level we are motivated to satisfy each level in ascending order. As each level is sufficiently satisfied we are then motivated to satisfy the next level in the hierarchy. The five different levels were further sub-categorised into two main groups, these being:

**Deficiency needs** - Maslow considered these the very basic needs required for survival and security. These needs include:

- physiological needs
- safety needs
- social needs

**Growth needs** - These are needs associated with personal growth and fulfillment of personal potential.

- esteem needs
- self-actualization needs

In Maslow's theory we can never run out of motivation because the very top level, self-actualization, which relates to the achievement of our full potential, can never be fully met.

Maslow's theory has been widely embraced and taught within the business world and few people who have attended a company supervision or basic management training course are unlikely not to be familiar with this theory.

### **Management Assumptions" (Theory X and Theory Y)**

Douglas McGregor further developed the needs concept of Maslow and specifically applied it to the workplace. McGregor maintained that every manager made assumptions about their employees and adopted a management approach based upon these assumptions. He maintained there were two main categories and that managers adopted one or the other.

The first category, which he termed **Theory X**, he maintained was the dominant management approach and assumed:

- the average human being has an inherent dislike of work and will avoid it if possible,
- because of this most people needed to be coerced, controlled, directed and threatened with punishment to get them to put adequate effort into the achievement of organisational objectives, and
- The average person prefers to be directed, wishes to avoid responsibility, has very little ambition and wants security above all else.

McGregor maintains that the application of this approach, as well as misunderstanding the real needs of employees, creates a self-fulfilling outcome because it forces people to become like this—they have no alternative.

McGregor proposed an alternative set of assumptions which he called **Theory Y**. The assumptions here are virtually the opposite of Theory X. They are:

- Work is as natural as play or rest.

- External control and threat of punishment are not the only means of bringing about effort towards organisational objectives. People will exercise self-direction and self-control towards the achievement of objectives they are committed to.
- Commitment to objectives is a function of the rewards associated with their achievement.
- The average person learns under proper conditions to not only accept responsibility but also seek it.
- The ability to seek and develop innovative problem solving approaches is widely, not narrowly distributed across the whole population.
- In most work organisations the abilities of most employees is only partially utilized.

McGregor advocated that the application of Theory Y, would not only meet the needs of the organisation but also those of the employee. He believed that Theory X at best only met Maslows Deficiency needs, whilst Theory Y also met the Growth Needs. You would thus have more motivated employees if you adopted Theory Y.

### **ERG Theory**

Clayton Alderfer revised Maslow's theory in 1972. He reduced the levels in the hierarchy from five to three and termed these **Existence** needs, **Relatedness** needs and **Growth** needs. His most significant contribution, however, was to alter Maslow's concept of a one-way progression up the hierarchy, to one that allowed for regression to lower levels if these needs are no longer being met. This is a more realistic approach as it recognizes that, because a need is met, doesn't mean it will always remain met. For example, if I were to remove all the air from the room you are in, would you be motivated to keep learning?

### **McClellands Need for Achievement, Affiliation and Power**

McClelland's model argues that all people have these three needs. He further maintains that there is a direct link between high-performing managers and their need for achievement, and to a lesser extent their need for power and affiliation. In other words, people with a high drive to succeed are more likely to be more highly motivated than people with a low drive to succeed. He also maintains that it is possible to arrange work situations and conditions to gain the high motivational benefits from those with



a high need for achievement—starting by employing people with a high need for achievement.

### **Herzbergs' Two Factor Theory**

Next to Maslow, Herzberg's theory has probably received the most attention within the workplace. He developed a theory that differentiated between factors that satisfied employees, and factors that dissatisfied employees. In his theory the opposite of 'satisfaction' is not 'dissatisfaction' but rather 'no satisfaction'. Likewise, the opposite of 'dissatisfaction' is 'no dissatisfaction'.

Herzberg related job satisfaction to five factors:

- achievement
- recognition
- work itself
- responsibility
- advancement

He termed these factors 'motivators' and related them back to growth needs.

Herzberg related job dissatisfaction to:

- company policy and administration
- supervision
- salary
- interpersonal relationships
- working conditions

These he termed 'hygiene factors' and equated them with deficiency needs.

His major impact was to argue that providing hygiene factors (more money, better working conditions, etc) wouldn't create more motivation, only less dissatisfaction. Only motivators could motivate.

## **2. Process theories of Motivation**

Whereas the content theories concentrate on the question of 'what' motivates, the process theories address more the issues relating to how the process works and sustains itself over time, such as factors that determine the degree of effort, the continuation of effort, the modification of effort, etc.

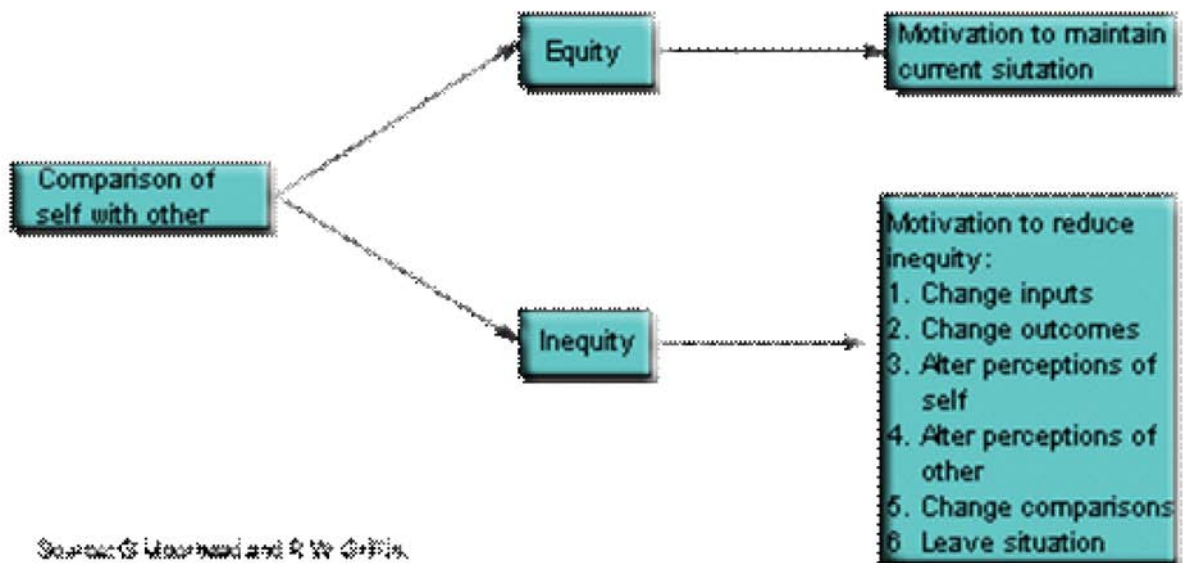
As with content theory, there are a number of process theories. These include:

- Equity theory
- Expectancy theory
- The Porter-Lawler Model

### Equity theory

In this theory employee constantly assesses their level of effort against fellow workers and the reward they receive for their effort. If they perceive there is a significant difference between their level of effort and their fellow workers, they will Endeavour to bring about equality of effort for everyone—by adjusting up or down their own performance or by taking measures to adjust the level of their fellow workers. Likewise, the relative reward for effort is also monitored. The message for managers is that employees need to be seen to be rewarded on a fair and equitable basis, and inequities quickly adjusted.

#### Response to equity and inequity



Source: G. Maslow and R. M. Gagné,  
Organizational Behavior (Boston, Mass:  
Houghton Mifflin, 1963), 133

© Harper, Brace & Company, Australia ACN 000 930 581

### Expectancy Theory

This has been an important theory in the history of the study of motivation. This theory highlights that motivation is partly a decision-making process that evaluates effort for outcomes. It highlights the involvement of the active cognitive processes

and user choice in the process. It also highlights the importance of the outcome representing a valued reward for the individual involved.

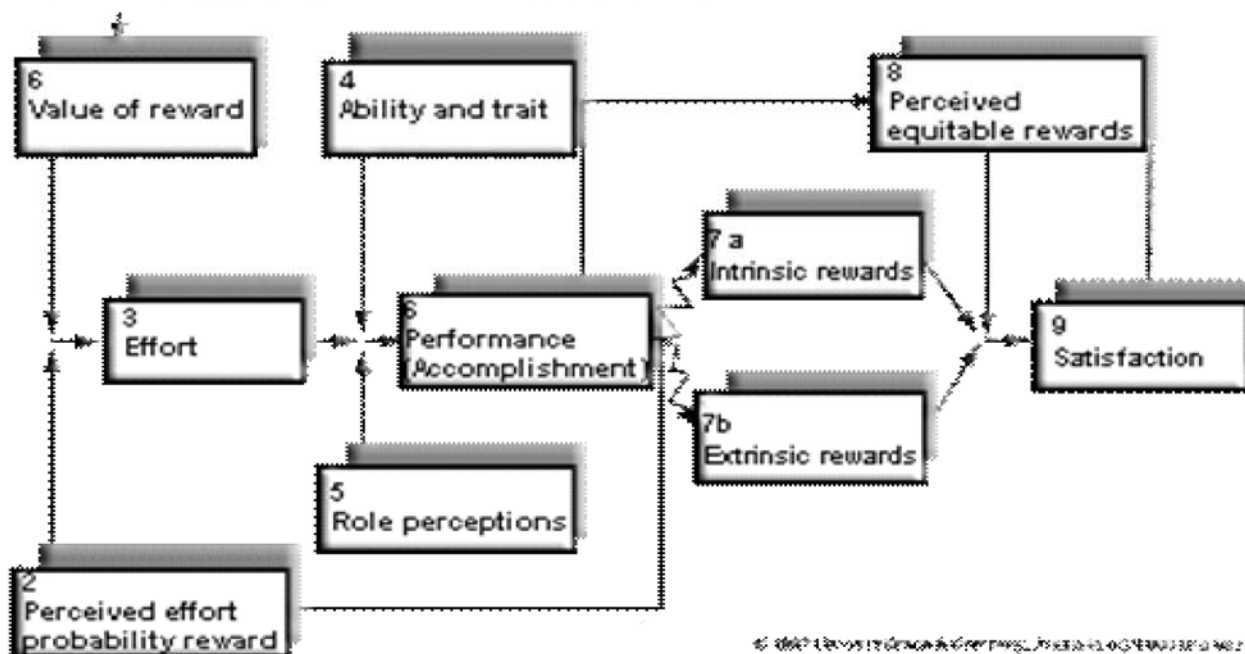
The actual evaluation process is broken down into a number of parts:

1. If I put in effort, can I expect to perform at the required task?
2. Will performing this act or task achieve a desired outcome?
3. Can I expect the outcome will be available and forthcoming?

### *Porter-Lawler Model*

This model of motivation although based on the expectancy theory, is probably the most complete theory of workplace motivation. It is an integrated approach that includes elements of nearly all the other motivation theories. This is important as it helps explain why each of the various theories have a contribution to make but also serious limitations. If we consider each as part of a more complex model of motivation this starts to make sense.

### **The Porter-Lawler model of motivation**



The model thus suggests that using individual theories won't work. A more integrated approach is needed. It also differs from content theories, particularly 'two factor' theory, in suggesting that performance leads to job satisfaction, rather than job satisfaction leading to performance

The complexity of the model, and the need to evaluate and provide valued rewards on an individual basis, are practical limitations. However it is difficult to argue with the process of the model. The area of motivation is complex and the model highlights this—rather than presenting an unrealistically simple approach, as is the case with many of the alternative theories.

---

## 16.6 SUMMARY

---

This unit has discussed the meaning and definition of motivation. We have also evaluated the importance of motivation, features of motivation and the various useful theories of motivation which are suitable to the managers in the present organisation to achieve the goals of individuals and organisations.

---

## 16.7 SELF ASSESSMENT QUESTIONS

---

1. Define Motivation. Discuss the elements involved in the definition of motivation
2. Explain the importance of motivation. Add a note on benefits of motivation to individual and organisation.
3. Enumerate the essential features of good motivation system. Discuss the usefulness of these features in modern organisation.
4. Discuss the content theories of motivation.
5. Explain the various process theories of motivation.

---

## 16.8 REFERENCES

---

1. Davar. *The Management process*. Mumbai: Progressive Corporation Pvt. Ltd, 2010.
2. Harold Koontz. Heinze Weihrich. *Essentials of management*, New York: MacGraw-Hill, 1993
3. J S. Chandan. *Management Concepts and Strategies*, New Delhi: Vikas Publishing House Pvt Limited, 1997.
4. Chauhry Omvir, Prakash Singh. *Principles of Management*, New Delhi: New Age International Publishers, 2012.
5. Peter. Drucker. *Management of 21<sup>st</sup> Century*, New York: HarperBusiness, 2001.
6. Prasad L.M. *Principles of Management*, New Delhi: Sultan Chand & Sons, 2015.
7. Stoner J.A. and Freeman R.E. ***Management, New Delhi: Pearson Education India, 1995.***
8. Richard L. Daft. *Management*, Massachusetts, United States: Cengage Learning, 2013.
9. S.K. Mandal. *Management: Principles and Practice*, Mumbai: Jaico Publishing House, 2011.

---

## **UNIT -17:CONTROL-INTRODUCTION**

---

### **Structure**

- 17.0 Objectives
- 17.1 Introduction
- 17.2 Control-Meaning
- 17.3 Steps in Control Process
- 17.4 Need for Control
- 17.5 Types of Control
- 17.6 Symptoms of Inadequate Control
- 17.7 Summary
- 17.8 Self Assesment Questions
- 17.9 Reference

---

## 17.0 OBJECTIVES

---

After studying this unit, you will be able to;

- Explain controlling as a function of management and steps in setting standards
- Discuss various ways of performance appraisal
- Explain some of the devices used in measuring performance
- Describe various types of controls in relation to operations

---

## 17.1 INTRODUCTION

---

Control is a critical issue faced every manager in every organization. As managers need to find new ways to cut costs, increase efficiency, and build i the organizations otherwise will not survive. All organizations face similar challenges. Improving product quality, minimizing the time need to supply to means retail stores, decreasing the number of steps needed to process an online me order, or improving the tracking procedures for overnight package delivery, including quality control. Also monitoring involves office productivity, such as elimination bottlenecks and reduction in paperwork mistakes. In addition, every organization i basic systems for allocating financial resources, developing human resources, accering financial performance and evaluating overall profitability.

The term control in common parlance indicates that there is strict adherence to the set of plans. Controls are there to ensure that the events turn up as they are intended to be. Plans with out control are hollow hopes. It is not just enough if you have the road map in your hand, you should also know where the deviations take place. Let us study the basic control process in the present unit.

---

## 17.2 CONTROLLING – MEANING

---

The systematic process through which managers regulate organizational activities to make them consistent with expectations established in plans, targets, and standards of performance.

### **Let us consider few definitions:**

Douglas S. Sherwin summarizes controlling as: “The essence of control is action which adjusts operations to predetermined standards, and its basis is information in the hands of managers.”

Robert. Mockler defines “Management control is a systematic effort to set performance standards with planning objectives, to design information feedback systems, to compare actual performance with those pre-determined standard to determine whether there are any deviations and to measure their significance and to take any action required to assure that all corporate resources are being used in the most effective and efficient way possible in achieving corporate objectives”.

Thus, effectively controlling an organization requires information about performance standards and actual performance, as well as actions taken to correct any deviations from the standards. Managers need to decide what information is essential, how they will obtain that information (and share it with employees), and how they can and should respond to it. Having the correct data is essential. Managers have to decide which standards, measurements, and metrics are needed to effectively monitor and control the organization and set up systems for obtaining that information.

Mockler defines that “controlling involves setting performance standards, measuring the performance with devices, comparing measured performance with performance standards and taking corrective actions”. These steps are to be carefully followed.

---

### **17.3 STEPS IN CONTROL PROCESS**

---

Control process has four steps. Even though controls are placed at different stages of operations these phases are always present in each control cycle. Regardless of what is being controlled, these elements are always involved. The steps involved are explained below.

#### ***Establishing Standards***

In order to evaluate the performance, standards have to be established. Standards are in a way, levels of activities established by the management. The standards should have certain characteristics.

- They must be clearly specified
- They must be understood by all the organizational members without ambiguity
- They should be defined in measurable terms.
- Vague wording of the standards should be avoided. Standards should be precisely stated.

- In situations, where it is not possible to quantify standards, efforts should be made to understand the qualitative goals and design the control mechanisms accordingly.

Some quantitative standards against which the performance can be measured are given below

- **Time Standards** : The goals are set on the basis of time involved in performing a Particular task. It could be units produced per hour, number of pages typed per hour etc. Workflow and employee output are better forecasted by using time standards.
- **Cost Standards:** These are goals in terms of cost involved. These indicate financial expenditure involved per unit of product. These standards are like monetary check posts. These enable the comparison of actual costs with budgeted costs. ,
- **Income Standards:** These refer to standards set in terms of financial rewards received for a particular activity. Eg: Sales volume per month, sales generated by sales person per year etc.
- **Market share standards:** This is based on the percentage of the total market that a company wants to retain or further acquire.
- **Quality Standards:** Standards are based on quality. But adherence to norms may vary depending on the nature of the produce involved. Space shuttle and aircraft manufacturers have zero defect production requirements while other products may have less stringent quality standards.
- **Productivity:** Productivity standards are expressed in numerical terms. These are set on the basis of past performance, degree of mechanization, employee's skills and training required, and motivation of employees. Eg. Items produced per man-hour.
- **Return on investment:** It is the ratio of net income to invested capital. It is a useful standard and it involves all facts of the business such as turnover sales, working capital, invested capital, inventory levels at given times, production costs, marketing costs and so on.
- **Quantitative Personnel Standards** : Personnel matters like morale and dedication can be measured to some degree by some quantitative standards. These standards may be the extern! of employee I turnover, number of work related accidents, absenteeism, number of grievances, quality of performance and so on.



## ***Measuring Performance***

This is the second step in controlling process. It involves monitoring and measuring the actual performance. This includes collection of data regarding the actual performance of the activity. Then, a comparison can be made between what is to be accomplished and what is intended to be accomplished. It is an ongoing and repetitive process. The frequency of measurement depends upon the type of activity being measured. Continuous monitoring may be required in some cases like that of levels of gas particles in the air, in case of manufacturing plant. Long-term expansion objectives might be reviewed by the top management, /only once or twice in a year,

According to Such man, there are five types of evaluation, which are given below:

- **Effort:** This involves the extent of input. The idea is to measure whether the input is adequate in meeting the set objectives. For example, the number of patient beds in a hospital would be a measure of input for providing health care. A sales person performance may be measured by the number of calls he makes per day.
- **Effectiveness:** Since measurement of input is a poor indicator of results, measurement of output is also required to convey the degree of effectiveness. In case of employment agency the number of clients placed in jobs would be a better measure than the member of applicants interviewed and counseled,
- **Efficiency:** Efficiency measures are useful for comparing the same process at different points of time or different processes with the same output. Efficiency relates output to input.
- **Process :** Hence, the focus is on evaluation of process that converts efforts into results.
- **Measuring devices :** The performance measures used in controlling organizational and individual performances should be valid as well as reliable. The measure should reflect its quality and consistency in obtaining results.

Some measuring devices are given below:

- **Mechanized measuring devices:** Variety of technical instruments are used to measure machine operations, product quality for size and ingredients and for production processes. These instruments may be mechanical, electronic or chemical in nature. Computers are widely used as measuring devices in recent days.
- **Ratio Analysis:** Various aspects of business operations are measured with the help of this tool, Ratio relates the business variables with one another. There are various

ratios like net sales to working capital, net sales ratio, net profit to tangible net worth ratio, net profit to net working capital ratios, collection period etc. These ratios provide measuring yardsticks for liquidity, profitability, solvency, capital gearing in the firm etc.

- **Comparative statistical analysis:** Measuring involves comparison also. Similar operations of different companies can be compared or operations of any company can be compared with the industry average. This in fact is a practical performance measuring methodology. Data pertaining to the required area is used in such cases. Statistical models can be used for such measures and comparisons.
- **Personal observations:** To measure the performances of the personnel, usually personal observation is followed. Observation can be formal or informal, observation is generally day-to-day routine type. Informal discussions with the concerned persons also contribute to effective control. It allows for watching the work closely.
- **Sampling:** Measurement can be done considering only a sample, which is presumably typical of the whole. For some operations sampling does the work of measuring the performance. In some other cases a hundred percent check is desirable.

In spite of the usefulness of all these methods, it is important to balance the cost of incremental measurements against the increased value that might accrue from catching more errors.

### ***Determining whether performance matches the standard***

This step is considered to be the earliest one because; the complexities of the process are already dealt in the first two steps. This involves comparing measured results with the standards. If performance matches with the standards set, it is an indication that everything is under control. If not taking corrective action becomes necessary.

### ***Taking corrective action***

If performance falls short of standards, corrective action is, required. The action may in terms of further improvement in performance. Some stringent corrective action may imply change in the standard-if the standard is too high and unattainable, there is a need to lower it or else it will cause frustration among the workers.

---

## 17.4 NEED FOR CONTROL

---

A new philosophy about **organizational control** involves lower-level workers in management and control decisions. However effective the plan may be, it goes awry without proper control. Organization environment has undergone lots of changes in recent years. Consequently, the importance of control too has steadily grown. The factors which stress the importance of control can be listed as below.

- **To create better quality**

Quality in the work place has gone beyond creating a better than average product at a good price and now refers to achieving increasingly better products and services at progressively more competitive prices. This includes doing things right the first time, rather than making and correcting mistakes. Total quality management is essential for improvements in control. Process loopholes can be found out/Mistakes can be set right. Quality is the key to success. Lack of Quality creates crisis. Control is inevitable, in the process of creating better quality.

- **To cope with Changes**

Nothing is permanent in any organizational environment, except change. There will be shift in the markets. There may be new products and services flocking into the market, there may be new competitors trying their way. New technologies may enter the fields. The government may make amendments to the existing Law-or-enact a new one. Threats and opportunities go on changing. Control enables the managers to detect changes that are affecting the organizations products and services.

- **To create faster cycles**

Speed with which the orders are filled is the standard to be achieved by a business. Yet this speed alone looks as an outdated standard/Today's consumers expect not only speed but customized product and services. But both the attitudes require effective control.

- **To add value**

To succeed in today's highly competitive world, creating faster cycles is essential. Equally essential is adding value Just increasing the quality of goods will not provide a competitive edge to the firm. Adding value is equally important and it makes the customer buy the product or service in preference to the competitor's offering. Quality is achieved through enacting control procedures.

- **To facilitate delegation and teamwork**

The traditional autocratic system had the impact of hampering employees creatively. Today trend is towards participative management. Everyone in the organization should be given a chance to contribute and participate.

---

## **17.5 TYPES OF CONTROL**

---

There are broadly two types of control namely direct control and indirect control. Cost control, quality control, budgetary control etc., are direct control. Indirect control means establishing system in such a way that control is automatically exercised. On the basis of time period in which the control is applied in relation to the operation being performed, there are three types of controls.

### **Feed forward control**

Control that focuses on human, material, and financial resources flowing into the organization; also called preliminary or preventive control.

Control that attempts to identify and prevent deviations before they occur is called feed forward control. Sometimes called preliminary or preventive control, it focuses on human, material, and financial resources that flow into the organization. Its purpose is to ensure that input quality is high enough to prevent problems when the organization performs its tasks.

Feed forward controls are evident in the selection and hiring of new employees. Organizations attempt to improve the likelihood that employees will perform up to standards by identifying the necessary skills, using tests and other screening devices to hire people who have those skills, and providing necessary training to upgrade important skills. Numerous nursing homes and assisted living centers have come under fire in recent years due to lax feed forward controls, such as failing to ensure that workers have the appropriate skills or provide them with the training needed to adequately care for residents. Banks typically require extensive documentation before approving major loans to identify and manage risks.

### **Concurrent Control**

Control that monitors ongoing employee activities to ensure they are consistent with performance standards is called concurrent control. Concurrent control assesses current work activities, relies on performance standards, and includes rules and regulations for guiding employee tasks and behaviors.

### **Concurrent control is also known as Steering Control.**

This involves taking corrective action as soon as the deviation takes place the process here will not be complete when the control is exercised. For example, when a car is off the lane, it can be steered into the lane. Steering control has the advantage of taking corrective action early

Many manufacturing operations include devices that measure whether the items being produced meet quality standards. Employees monitor the measurements; if they see that standards are not met in some area, they make a correction themselves or signal the appropriate person that a problem is occurring. Technology advancements are adding to the possibilities for concurrent control in services as well.

Other concurrent controls involve the ways in which organizations influence employees. An organization's cultural norms and values influence employee behavior, as do the norms of an employee's peers or work group. Concurrent control also includes self-control, through which individuals impose concurrent controls on their own behavior because of personal values and attitudes.

### **Feedback Control**

These are the controls that measure results from completed action. These are also known as **Post Action Control**. These results measured so are compared with the standards that are set initially. If there are any deviations, corrections can be taken for future activities. For example, -If the actual expenses for office supplies exceed the budgeted expenses for a given year, then the reasons for such a difference can be investigated and in the light of this feedback, the budget for the following year can be revised.

The advantage of feedback control is that, it enhances employees' motivation. It allows the employees to know how well they have performed and how to make improvement.

---

## **17.6 SYMPTOMS OF INADEQUATE CONTROL**

---

Deviations from pre-planned course of events are traced during the process, of control and effective remedial actions are taken. Some cases exhibit symptoms reflecting inadequacy of the control process. In such cases, the system itself had to be analysed in depth, re-organized and re-evaluated.

Some such symptoms are, unexplained decline in revenues or profit degradation of service and customer complaints, employee dissatisfaction, unnecessary working capital shortages, idle facilities or personnel, Disorganized and evidence of waste, inefficiency and excessive cost.

---

## **17.7 SUMMARY**

---

Control is essential in any organization to ensure that events are turning out as required. It involves four steps namely establishing standards, measuring performance, comparing the performance with the standards and taking corrective actions. The standards may be set in terms of time required cost involved, income generated, market share, quality, productivity, return on investment and so on. Measuring performance is in terms of effort, effectiveness, and adequacy efficiency. To measure the performance, devices like ratio analysis, comparative statistical analysis personal observation and sampling are used. Comparison is the next step involved. If performance matches the standards then it is an indication that everything is under control. If performance falls short of standards, the effort towards improvement has to be made on the other hand, if the standards are very high, and on account of it, reaching the target is difficult, then the standard may have to be lowered.

Inadequacy of control leads to a lot of problems like decline in profit, lack of working capital, bottlenecks in operations, waste, inefficiency, high cost etc. control is an inevitable function of any organization.

---

## **17.8 SELFASSESSMENT QUESTIONS**

---

- Define Controlling.
- Explain the steps in Control Process
- Describe the various types of Control.
- Examine the essence of control in any organisation.

---

## 17.9 REFERENCE

---

1. Davar. *The Management process*. Mumbai: Progressive Corporation Pvt. Ltd, 2010.
2. Harold Koontz. Heinze Weihrich. *Essentials of management*, New York: MacGraw-Hill, 1993
3. J S. Chandan. *Management Concepts and Strategies*, New Delhi: Vikas Publishing House Pvt Limited, 1997.
4. Chauhry Omvir, Prakash Singh. *Principles of Management*, New Delhi: New Age International Publishers, 2012.
5. Peter. Drucker. *Management of 21<sup>st</sup> Century*, New York: HarperBusiness, 2001.
6. Prasad L.M. *Principles of Management*, New Delhi: Sultan Chand & Sons, 2015.
7. Stoner J.A. and Freeman R.E. ***Management, New Delhi: Pearson Education India, 1995.***
8. Richard L. Daft. *Management*, Massachusetts, United States: Cengage Learning, 2013.
9. S.K. Mandal. *Management: Principles and Practice*, Mumbai: Jaico Publishing House, 2011.

---

## **UNIT - 18 : CONTROL SYSTEMS**

---

### **Structure**

- 18.0 Objectives
- 18.1 Introduction
- 18.2 Characteristics of effective control
- 18.3 Control - Pre-Requisites
- 18.4 Human aspect of control
- 18.5 Behavioural implications of control
- 18.6 Behavioural guidelines for effective control
- 18.7 Summary
- 18.9 Self Assessment Questions
- 18.10 Reference



---

## 18.0 OBJECTIVES

---

After studying this unit, you should be able to:

- Bring out the characteristics of effective control system.
- Examine the process of control.
- Enumerate the pre-requisites of control.
- Compare and contrast bureaucratic and decentralized control
- Explain behavioral implications of control

---

## 18.1 INTRODUCTION

---

Control, as you have gone through in the previous unit is essential for any organization. Its role is not denied in ensuring that the plans are not mere pipe dreams. Control in fact is the way of assessing the outcome of a plan—therefore no plan is complete without control. Effective control should be exercised at all the three stages of inputs, processes and outputs. Effective control system has some characteristics.

---

## 18.2 CHARACTERISTICS OF EFFECTIVE CONTROLS

---

Effective control system has some characteristics. The importance of these characteristics varies with the situation. However, some common characteristics of effective control system are explained below.

- **Accuracy**

Accurate information is essential for effective managerial decisions. Control system should generate accurate data and information. If the control lacks this accuracy, it would divert management efforts. Small problems or problems with low priority may not be identified. Such ignored things may aggravate and result in serious problems at a later stage. To identify the problem, before it sprouts up, it is highly desirable to be accurate.

- **Timeliness**

The information should reach the top management in time. Timeliness helps the management in taking corrective action. Decision makers should get the information in time, to facilitate a meaningful response and right action. After the lapse of time, the information becomes useless. The events with time are to be carefully watched and caught before it passes.

- **Flexibility**

The control system should never be rigid. Business environment is undergoing lots of changes. New technologies are flocking into the field of business. New products are developed. Innovations are taking place. These changes call for a change in planning as well as in controlling. An effective control system should allow for updating as the need arises. Planning should allow for adjustments for anticipated threats and opportunities, so, is controlling.

- **Acceptability**

The control system should be accepted by all those are affected by it. The people in the organization should understand it and appreciate its objectives. Lack of understanding makes it a burden, which may lead to frustration among employees. Control system should be such as to help employees achieve their personal-as well as organizational goals

- **Integration**

Effective control system is always an integrated part of the organizational environment. It becomes easier to enforce control, when they are consistent with corporate values and culture. These controls work in harmony with the organizational policy.

- **Economic Feasibility**

The cost and benefits of the control system also are very important. The benefits should outweigh the cost. The system should be reasonable to operate. Squandering money over a very small benefit is not economically justified.

- **Strategic placement**

Effective controls are placed in critical and strategic points in the areas of productions, sales, finance and customer service. Placing control points must be done strategically. Some delicate points in the process cannot tolerate failures; when failure occurs the time and money costs of it are much more.

- **Corrective action**

Control system does not end up in checking only. Identifying deviations must be followed by solutions. Control is meaningful, when corrective actions are taken.

- **Emphasis on exception**

Exception principle should be followed. Only important deviations should be brought to the notice of management. If the management is flooded with lots of information's, important as well as unimportant, it becomes a tedious task to take corrective action.

---

### **18.3 CONTROL - PRE-REQUISITES**

---

Koontz and O Donnel have said, "If controls are to work, they must be specially tailored". The term specially tailored implies that controls must be suitably planned keeping in view the plans and positions, individual managers and their personalities and the needs for efficiency and effectiveness. There are seven pre requisites for an adequate control system. They are explained below:

- Control should be tailored to plans and positions
- Control must be tailored to the personality of individual manager
- Control should be objective
- Control should be economical
- Control should aim at prevention first and corrections afterwards

---

### **18.4 HUMAN ASPECT OF CONTROL**

---

An effective control system should aid in employee motivation. But it can have negative effects on employee morale and performance. Response to control, make the system effective or ineffective. The controls may be mistrusted and disregarded. Creating positive responses to control is a must studying the behavioural implications of control is essential from this regard.

**Bureaucratic control** involves monitoring and influencing employee behavior through extensive use of rules, policies, hierarchy of authority, written documentation, reward systems, and other formal mechanisms.<sup>22</sup> In contrast, decentralized control relies on cultural values, traditions, shared beliefs, and trust to foster compliance with organizational goals. Managers operate on the assumption that employees are trustworthy and willing to perform effectively without extensive rules and close supervision.

Bureaucratic methods define explicit rules, policies, and procedures for employee behavior. Control relies on centralized authority, the formal hierarchy, and close personal supervision. Responsibility for quality control rests with quality control inspectors and

supervisors rather than with employees. Job descriptions generally are specific and task related, and managers define minimal standards for acceptable employee performance. In exchange for meeting the standards, individual employees are given extrinsic rewards such as wages, benefits, and possibly promotions up the hierarchy. Employees rarely participate in the control process, with any participation being formalized through mechanisms such as grievance procedures. With bureaucratic control, the organizational culture is somewhat rigid, and managers do not consider culture a useful means of controlling employees and the organization. Technology often is used to control the flow and pace of work or to monitor employees, such as by measuring how long employees spend on phone calls or how many keystrokes they make at the computer.

Bureaucratic control techniques can enhance organizational efficiency and effectiveness. Many employees appreciate a system that clarifies what is expected of them, and they may be motivated by challenging, but achievable, goals. However, although many managers effectively use bureaucratic control, too much control can backfire. Employees resent being watched too closely, and they may try to sabotage the control system.

**Decentralized control** is based on values and assumptions that are almost opposite to those of bureaucratic control. Rules and procedures are used only when necessary. Managers rely instead on shared goals and values to control employee behavior. The organization places great emphasis on the selection and socialization of employees to ensure that workers have the appropriate values needed to influence behavior toward meeting company goals. No organization can control employees 100 percent of the time, and self-discipline and self-control are what keep workers performing their jobs up to standard. Empowerment of employees, effective socialization, and training all can contribute to internal standards that provide self-control.

With decentralized control, power is more dispersed and is based on knowledge and experience as much as position. The organizational structure is flat and horizontal, with flexible authority and teams of workers solving problems and making improvements. Everyone is involved in quality control on an ongoing basis. Job descriptions generally are results-based, with an emphasis more.

---

## 18.5 BEHAVIOURAL IMPLICATIONS OF CONTROL

---

Some of the behavioral implications of control are given below.

- Control effects individual freedom, naturally an individual resists certain controls that restrict him/ her.
- Certain states and power implications are inherent in any control system, A quality control inspector may carry more power than the line supervisor. Those who have controlled may develop some sense of resent
- Control system may involve both qualitative standards and quantitative standards. If the control is based on personal judgement, there is scope for misuse on the one hand and there may be chances of interpersonal or inter group conflicts within the organization.
- Control may have an effect on flexibility and creativity. It may hamper the creativity of employees. Rigidity in the system has little scope for innovations.
- Invalid and inaccurate information may be generated due to control. For example: If the top management habitually reduces the budget requested, the lower management will develop the habit of over estimating the cost in their budget. Since control involves comparing the performance with the standards set, the managers may set the standard at a lower level and try to impress during the performance appraisal.
- If the concerned employee does not have control over the situation, he/she may tend to resent it. Achieving the standards set, is not possible when other things are not conducive, the time and other resources go out of control the performance evaluation based on standards becomes frustrating. When a person does not have authority to make operational changes, control makes him frustrated.
- There should be perfect synchronization in the system. The standards set should be complimenting each other, some contradictory standards like increasing in sales and reduction in advertisement expenses, or increasing in the quality of goods and reduction in cost etc., may cause confusion, chaos and frustration.

---

## 18.6 BEHAVIOURAL GUIDELINES FOR EFFECTIVE CONTROL

---

In order to make the control acceptable by the employees, some behavioral dimensions are to be incorporated such guidelines are explained below.

- **Relating controls to meaningful and accepted goals**

The desirable end result may not be the same for all the employees in an organization. For example, the operating Vice-president of a firm may concentrate on financial budget. The supervisors think in terms of machine loading output per man-hour, spoilage or material usage etc. The criterion becomes meaningful to a person when it is expressed in terms that are operation to him. I.e. in terms of actions and results within his sphere of activities. He should be in a position to affect the outcome significantly and the outcome should be clearly measurable. The goals of control should be meaningful and accepted by all.

- **Goals relevant to the Job**

Goals may be accepted, when a person accepting them feels that they are relevant to his job. Psychological acceptance is a pre-requisite for the success of any control. If the goal is not accepted, certainly there is going to be resentment, manipulation of reports and buck passing. Acceptance, at times can be passive; control objectives may be accepted as a responsibility but beyond that, it may be accepted with indifference.

- **Participation**

In order to gain positive commitment to control, participation in setting standards is widely advocated. Participating helps to secure understanding and acceptance. It should be real participation. Pretending that the goals can be changed in participation discussions is misleading. When participants recognize it, a kind of cynicism and mistrust over the system may develop among them. Real Participation helps in developing a mutual understanding of the aims and mechanisms used in translating the broad goals into meaningful criteria and in setting stimulating levels of achievements.

- **Setting Pars**

The pars or the levels of achievements set should be tough and at the same time attainable. There is necessity to refine the goals further. Many a time the levels of achievements enforced and reasonable. At the same time, most evidence indicates that people generally respond to a challenging target. Meeting a tough assignment gives more pleasure than exceeding an easy standard.

Tough pairs may not always motivate people. The employees must feel that the target is attainable with reasonable effort. Supportive atmosphere is necessary. Social norms should not be affected by motivating pairs. How peer groups affect responses to controls should be examined for each case. Because there are many shades of group attitudes between direct opposition and strong support.

If the pair is impossible to achieve in the views of controllers, negative emotional response is likely. When the pressure of appearing to meet a standard mounts tendency of the workers towards falsifying records, in complete works, passing the buck becomes common.

In such a situation we can see the presence of vicious circle. More pressure leads to more resistance, negative attitude - negligence and undermining of the social system. Therefore realistic standards are much needed for the success of any control system.

What is reasonable and what is unreasonable depends on the feelings, which can be realized only through participation. Participation includes frank discussion about the levels of expected results. It includes fact-finding, communication, prediction, negotiation and mutual agreement. Output pairs like sales quotas or budgeted profits must be reset for each period of time. Activating plays its role here. It involves choosing a mode of activating, gaining commitment or compliance, gaining understanding and activating a dynamic setting.

- **Total load is another behavioral consideration**

Multitude of control creates some psychological problems. For example. A purchasing agent has to adhere to many standards. Standards regarding the quality of materials depend on production standards. Delivery dates must anticipate actual use. Inventory level must be in terms of cost estimates; departmental operating expenses must be within the budgets. Thus when the variety of standards are put before a person, an additional load of even a very small dose of control, may have the effect of “a straw that breaks a camel’s back”.

There are individual differences regarding security and freedom. One person may welcome specific working assignments. Another may feel that it breaks his rhythm of work. From this point of view steering controls are better than yes-no controls.

In order to make controls tolerable; satisfactory levels of achievements are added to most of the controls. Controls exist in such cases yet there won't be pressure to improve performance beyond a particular level. Though additional improvement is sacrificed in such cases, it is desired because the potential benefit to tighter control is

not worth the cost of reduced effort due to psychological aspect in other areas. Commonly a person can give serious attention to only four to six objectives. Controls beyond this number may cause fatigue.

Each control may be desirable and acceptable. Chasing the control standards should not lead to completion for attention. The employee may then trade off between various things. It is essential to see that control fits into the total need of control in an organization.

Control should be confined to detail of self-adjustment. Interference so sometimes becomes annoying. Most experienced people regard interference by outsiders as lack of confidence and respect for their skill.

Feedback helps self-adjustment. Self-control should be encouraged to avoid interference by an outsider. An evaluation of overall results and the feedback should help the local decision maker to achieve the desired overall results.

---

## **18.7 SUMMARY**

---

Effective control system has some characteristic features like accuracy, timeliness, flexibility, acceptability, integration, and economic feasibility. Strategic placement providing for corrective action and emphasis on exception. With all these qualities a system of control becomes successful in an organization. Most organizations display some aspects of both bureaucratic and decentralized control, but managers generally emphasize one or the other, depending on the organizational culture and their own beliefs about control.

The use of organizational culture, group norms, and a focus on goals, rather than rules and procedures, to foster compliance with organizational goals. However effective the control system may be, they become effective, only when they influence the behavior of people. When a control system is designed, it is essential to consider, how executives and other people involved will react. Controls should be related to meaningful and accepted goals. To gain acceptance, participation of employees is necessary. Acceptance again can be passive though active acceptance is common. Pars should be tough, yet attainable. There are pars that motivate people. At the same time, there are pars that breed dissent. Psychological tolerance of the people for controls should be borne in mind and too much load of standards is to be avoided. Self-adjustment should be encouraged. All these ways help in mitigating the behavioral problem arising while implementing control.



---

## 18.8 SELFASSESSMENT QUESTIONS

---

1. What are the symptoms of inadequate control?
2. Explain some of the reasons as to why such controls are inadequate
3. Describe the characteristics of effective control
4. Explain the behavioural implications of control
5. What types of controls do the workers resent the most? Explain steps can be taken to reduce this resentment
6. Self control is the best control “comment on the statement explaining whether eliminated the necessity for all other controls
7. What are the guidelines to be followed by management for behavioural control?

---

## 18.9 REFERENCE

---

1. Davar. *The Management process*. Mumbai: Progressive Corporation Pvt. Ltd, 2010.
2. Harold Koontz. Heinze Weihrich. *Essentials of management*, New York: MacGraw-Hill, 1993
3. J S. Chandan. *Management Concepts and Strategies*, New Delhi: Vikas Publishing House Pvt Limited, 1997.
4. Chauhry Omvir, Prakash Singh. *Principles of Management*, New Delhi: New Age International Publishers, 2012.
5. Peter. Drucker. *Management of 21<sup>st</sup> Century*, New York: HarperBusiness, 2001.
6. Prasad L.M. *Principles of Management*, New Delhi: Sultan Chand & Sons, 2015.
7. Stoner J.A. and Freeman R.E. ***Management, New Delhi: Pearson Education India, 1995.***
8. Richard L. Daft. *Management*, Massachusetts, United States: Cengage Learning, 2013.
9. S.K. Mandal. *Management: Principles and Practice*, Mumbai: Jaico Publishing House, 2011.

---

## **UNIT - 19 : CONTROL TECHNIQUES**

---

### **Structure**

- 19.0 Objectives
- 19.1 Introduction
- 19.2 Control Techniques
- 19.3 Break Even analyses
- 19.4 Budgeting
- 19.5 Budget- Approaches
- 19.6 Characteristics of Effective Budgetary Control Systems
- 19.7 Benefits of Zero based budgeting
- 19.8 Benefits of budgetary control
- 19.9 Limitations of budgetary control
- 19.10 Financial Control
- 19.11 TQM Techniques
- 19.12 Summary
- 19.13 Self Assesment Questions
- 19.14 Reference

---

## **19.0 OBJECTIVES**

---

After studying this unit, you will be able to;

- Assess the need and scope for budgetary control.
- Explain the types of budget
- Describe the budget preparation process
- Explain the concept of Zero based budgeting.
- List out the characteristics of effective budgetary control system
- Bring out the benefits and limitations of budgetary control
- Discuss enterprise audit and social audit
- Examine the role of financial controls for effective controlling.
- Explain the benefits of quality control and various methods of achieving the specified quality.
- Describe the relevance of effective control systems.

---

## **19.1 INTRODUCTION**

---

Control is indispensable for any organization, whether it is a school o, hospital or manufacturing firm. Controlling is very essential for effective management of the organizations. The process of control involves four steps namely setting of standards, measuring the performance, comparing the actual with the standards and taking corrective actions. For an effective control it is a must that activities must take place according to the plans, and the deviations must be minimum. The tools of control should be such as to ensure minimum deviation. Control should ensure performance, and should not become a deterrent factor for performance.

---

## **19.2 CONTROL TECHNIQUES**

---

Management has many control devices at its disposal. The type of control device used depends on the situation that exists. Some common control devices used by every organization is given below.

- Break - Even – analysis
- Budgets

- Financial Control
- TQM Techniques

Let us learn these techniques in detail.

---

### **19.3 BREAK-EVEN-ANALYSIS**

---

Break Even-Analysis is extensively employed by executive in all organizations. Break-Even-Analysis is also known as cost volume-profit relationship. It is designed to assist planning and decision making, by predicting the net effect of change in cost-volume price and the level of activity on the profit of the company. Constitution of the Break-Even-Chart takes into account, the following assumption.

- All the cost can be classified conveniently into fixed and variable.
- There is a linear relation between cost and revenues
- No changes in selling price, product mix, manufacturing process, efficiency, fixed cost and management policies.
- There is no closing stock and opening stock-The total number of units produced and sold are the same.

A company is said to be in break-even-position, when its total cost is just equal to the total revenue. In other words, the contribution (Sales-variable cost) is just to meet the fixed cost variable costs vary according to the production level or in other words, they remain fixed per unit. Fixed costs remain fixed over a period of time.

Break even point can be calculated by two methods namely algebraic method and graphical method. To find out break even sales, the following formula is used.

$$\text{Break - Even (Sales)} = \frac{\text{Fixed Cost}}{\text{Contribution}} \times \text{Sales}$$

Graphical method involves constructing a graph, by taking horizontal axis to represent the output and vertical axis to represent cost & revenue. The total cost and total revenue lines are drawn and the point of intersection is called break-even point.

Break-Even analysis helps managers in taking decisions, as it establishes the relationship between cost, volume and profits. Though there are limitations to the application of break-even analysis it is widely employed by managers of the day. The greatest advantage of this method is its simplicity in understanding, presentation analysis and interpretation.

---

## 19.4 BUDGETING

---

Budgets are quantitative statement of objectives, plans and programs of enterprises. These are the statement of resources set aside for carrying out planned activities over given period of time. Organization prepares various budgets like sales budget, production budget, cash budget, programme budget, capital expenditure budget, material budget, manpower requirement budget etc. An overall master budget is also prepared.

Budgets can be fixed as well as flexible. Fixed budget is a budget that is designed to remain unchanged irrespective of the level of activity attained. Generally it is prepared for a certain definite capacity level. Flexible budgets are prepared for coping with the changing future. It is a dynamic budget and it works towards a range of activities.

A special budget is prepared to improve the organizational efficiency. This is 'Programmed budgeting'. A programmes budget is a financial statement of programmed plan. It allocated funds to groups of programmes or activities while setting programme budgets, first of all objectives are set to reflect the major activities of the department. Secondly, programmes are formulated to achieve these goals. According to these programmes, budgets are allocated and finally the output of the programme is carefully analysed in terms of the objectives laid down.

- Programme budgeting differs from traditional budgeting in many respects. Such points of difference are given below.
- Programme budgeting emphasizes output of programmes that cut across system lines. Traditional budgeting concentrate on inputs or organizational resources.
- Programme budgeting takes into account programme and its goal rather than resources inputs before allocating the funds to these programmes.
- Programme budget extends over many years and is not confined to a specific period of time.
- Programme budgets are most beneficial incase of long-range programme.
- Programme budgeting enables the management to analyse more carefully the costs versus benefits of programme alternative.

---

## 19.5 BUDGETS- APPROACHES

---

Budgeting involves the following steps.

- Setting goals
- Planning and scheduling to reach the goals.
- Identifying and pricing resources
- Locating needed funds
- Adjusting goals, plans and resources to match actual fund availability.

The approaches used in the preparation of budgets are explained below.

◆ **Top down budgeting**

Senior managers prepare these budgets and pass down it to lower levels; lower level managers may or may not contribute input to it. Top management shall carefully build the budget, by asking for input by others and taking into consideration all relevant factors. Every care has to be taken to see that no significant information about opportunities and risks is missed.

◆ **Bottom up budgeting**

Members of the departments prepare inputs with respect to the respective needs and priorities of their departments. These inputs are consolidated to create a comprehensive framework. It is a participative style of budget building and is known as ‘grass root budgeting. Participation in preparing the budget gives the employees the required enthusiasm in implementation. Due to downsizing of the companies and decentralizing of authority bottom up budgeting is gaining additional significance nowadays.

◆ **Zero based budgeting**

Dependence on previous budgets is common while building budgets zero based budget builds up the cost from zero, rather than starting with current level of costs. Zero-based budgeting involves the following steps.

- Activities are divided into parts known as decision packages. Each decision package contains all the information about an activity.
- All such activities are evaluated and ranked on the basis of benefit to the organization the activities with the highest ranks will get immediate and first attention and the

activities at the lowest ranks would get the lowest priority. The activities whose benefits cannot be justified relative to the associated costs may even be eliminated.

- After assigning priorities to the activities the resources are budgeted according to these priorities.

---

## **19.6 CHARACTERISTICS OF EFFECTIVE BUDGETARY CONTROL SYSTEM**

---

Following are the features of an effective budgetary control system.

- Budgets should be result oriented
- Goals should be realistically established
- There should be provision for periodic evaluation and assessment of performance.
- Budgets allocated should be appropriate for the established goals.
- Duties and responsibilities for all operation should be well defined and rightly assigned.
- Budgets should be based on document able information.
- A budget should be simple and understandably fair and objective.
- Communications should be effective, so that timely information on deviation should be available to the managers. A quick and two-way communication is needed.
- The budgets should be viewed as positive and be conducive to self control.

---

## **19.7 BENEFITS OF ZERO BASED BUDGETING**

---

Compared to the conventional budgeting techniques. Zero-Based budgeting has many advantages.

- It provides more rational justification regarding whether an activity should be continued or terminated.
- It allows for greater participation of all concerned **people in** the planning process.
- The assessment and evaluation of each activity is clear and unambiguous, as managers must quantify each alternative, which makes the measures needed for comparison, objective in nature.
- It enables the management to eliminate low priority activities without considerable economic losses.
- It focuses the management process on analysis and decision-making.

- It combines planning, budgeting and operational decision making into one process.
- It forces the managers to evaluate in detail the cost effectiveness of their operations.
- It provides a system to trade off between long term and short term needs during the budgeting period.
- It is flexible and allows for quick budget adjustments or resources shifts during the year, if necessary.
- It identifies similar functions among different departments for comparison and evaluation.
- It expands management participation and training in the planning, budgeting and decision making process.

---

## **19.8 BENEFITS OF BUDGETARY CONTROL**

---

The benefits of budgetary control are outlined below.

- Budgets help managers in integrating personnel efforts within the organizational towards a common goal. By properly appropriating adequate budgets to different activities within the organization, all activities can be synchronized and all efforts can be co-ordinate to achieve the organizational objectives.
- Budgets act as controlling devices to correct any deviations. If the expenditure for a given activity exceeds the allotted budget, at any point of time this will signal deviation from the prescribed course, requiring attention and action by the management.
- Just measurement of performance is possible through budget. Due to qualification of budgets, the measurement of performance becomes more objective in nature, eliminating biases that might be introduced due to subjective evaluation.
- The budgeting process helps management learn from past experience. The management can critically look at the success or failure of the past budgets and isolate errors and analyse their causes and establish steps to be taken to avoid repetition of such errors.
- The budgeting process induces the management to shift attention to the future operations. Since budgets are a part of the planning process, they force managers to anticipate and forecast the trends and changes in the external environment.
- Budgets facilitate communications throughout the organization. Budgets are the blue prints for the company's plan of operations and can only be coordinated through proper communication at all levels, and these budgets are specially helpful to lower



level managers, who are responsible for implementing the budgets and plans. They let these managers know how their operations relate to their units or departments within the organization. This improved communication reduces the risk of failure due to any misunderstanding.

- Budgets help new people and lower level managers to see where the organization is going and where they fit the organization such budgets assist the junior managers to be acquainted with the organizational goals and priorities and their own responsibilities and how their operations relate to other units or departments within the organization.

---

## **19.9 LIMITATIONS OF BUDGETARY CONTROL**

---

- Budgets are often too rigid and restrictive. Supervisors are not given much liberty to manage their resources. The budgets may either be changed too often or not at all. Employees find it difficult to meet the performance level.
- Funds allocated for various activities may not be transferable from one account to another resulting in difficult situations.
- Budgets are used to evaluate the performance and the result, but the causes of failures and successes are not thoroughly investigated. A poor manager may meet the budgetary standards and be considered as superior, while on the other hand a good manager may be reprimanded for failure to follow the budgetary guidelines exactly.
- Budgets may be used punitively. The employees may regard budget, simply as rating tools or as a device for catching their mistakes. This will lower their morale and dilute their sense of dedication.
- Some managers believe that all funds allocated in a budget for a given activity must be spent on the activity. They fear that if they do not spend the entire allocation, their budgets will be reduced for the following year. This type of attitude is detrimental to the organizational effectiveness.
- Budgeted goals may be perceived as too high. A high production level or sales level may be resented as unrealistic and may create tension and pressures which could result in worker inefficiency and create conflicts between the workers and the management.

---

## 19.10 FINANCIAL CONTROL

---

Managers in every organization, need to watch how well the organization is performing financially. Not only do financial controls tell whether the organization is on sound financial footing, but they can be useful indicators of other kinds of performance problems. For example, a sales decline may signal problems with products, customer service or sales force effectiveness.

### **Balance sheet**

A financial statement that shows the firm's financial position with respect to assets and liabilities at a specific point in time.

### **Income statement**

A financial statement that summarizes the firm's financial performance for a given time interval; sometimes called a profit-and-loss statement.

### **Financial Statements**

Financial statements provide the basic information used for financial control of an organization. Two major financial statements — the balance sheet and the income statement — are the starting points for financial control.

The balance sheet shows the firm's financial position with respect to assets and liabilities at a specific point in time. The balance sheet provides three types of information: assets, liabilities, and owners' equity. *Assets* are what the company owns, and they include *current assets* (those that can be converted into cash in a short time period) and *fixed assets* (such as buildings and equipment that are long term in nature). *Liabilities* are the firm's debts, including both *current debt* (obligations that will be paid by the company in the near future) and *long-term debt* (obligations payable over a long period). *Owners' equity* is the difference between assets and liabilities and is the company's net worth in stock and retained earnings.

The **income statement**, sometimes called a profit-and-loss statement or P & L for short, summarizes the firm's financial performance for a given time interval, usually one year.

Organizations calculate the income statement at three-month intervals during the year to see if they are on target for sales and profits. The income statement shows revenues coming into the organization from all sources and subtracts all expenses, including cost of goods sold, interest, taxes, and depreciation. The *bottom line* indicates the net income—profit or loss—for the given time period.

More discussion about the topics covered will be dealt in detail in the accounting and financial management papers.

---

## 19.11 TQM TECHNIQUES

---

The implementation of total quality management involves the use of many techniques, including quality circles, benchmarking, Six Sigma principles, reduced cycle time, and continuous improvement.

### **Quality Circles**

One technique for implementing the decentralized approach of TQM is to use quality circles. A **quality** circle is a group of 6 to 12 volunteer employees who meet regularly to discuss and solve problems affecting the quality of their work. At a set time during the workweek, the members of the quality' circle meet, identify problems, and try to find solutions. Circle members are free to collect data and take surveys. Many companies train team members in team building, problem solving, and statistical quality control. The reason for using quality circles is to push decision making to an organization level at which recommendations can be made by the people who do the job and know it better than anyone else.

### **Benchmarking**

Benchmarking is defined as “the continuous process of measuring products, services, and practices against the toughest competitors or those companies recognized as industry leaders.”<sup>27</sup> The key to successful benchmarking lies in analysis. Starting with its own mission statement, a company should honestly analyze its current procedures and determine areas for improvement. As a second step, a company *carefully* selects competitors worthy of copying. Introduced by Xerox in 1979, benchmarking is now a major TQM component. For example, Xerox studied the order fulfillment techniques of L. L. Bean and learned ways to reduce warehouse costs by 10 percent. Companies can emulate internal processes and procedures of competitors, but must take care to select companies whose methods are compatible. Once a strong, compatible program is found and analyzed, the benchmarking company can then devise a strategy for implementing a new program.

### **Six Sigma**

Six Sigma quality principles were first introduced by Motorola in the 1980s and were later popularized by General Electric, where former CEO Jack Welch praised Six Sigma for quality and efficiency gains that saved the company billions of dollars. Based on the Greek letter *sigma*, which statisticians use to measure how far something deviates

from perfection, Six Sigma is a highly ambitious quality standard that specifies a goal of no more than 3.4 defects per million parts. That essentially means being defect-free 99.9997 percent of the time.<sup>28</sup> However, Six Sigma has deviated from its precise definition to become a generic term for a quality-control approach that takes nothing for granted and emphasizes a disciplined and relentless pursuit of higher quality and lower costs. The discipline is based on a five-step methodology referred to as *DMAIC* (Define, Measure, Analyze, Improve, and Control), which provides a structured way for organizations to approach and solve problems.

Effectively implementing Six Sigma requires a major commitment from top management, because Six Sigma requires widespread change throughout the organization. Hundreds of organizations have adopted some form of Six Sigma program in recent years. Six Sigma has evolved to a process used in all industries and affecting every aspect of company operations, from human resources to customer service. Six Sigma is important for both manufacturing and service organizations.

### **Continuous Improvement**

The implementation of a large number of small, incremental improvements in all areas of the organization on an ongoing basis is known as continuous improvement. Managers measure the expected benefits of a change and favor the ideas with the biggest payoffs. Japanese companies have realized extraordinary success from making a series of mostly small improvements. This approach, called continuous improvement, or *kaizen* is the implementation of a large number of small, incremental improvements in all areas of the organization on an ongoing basis. In a successful TQM program, all employees' learn that they are expected to contribute by initiating changes in their own job activities. The basic philosophy is that improving things a little bit at a time, all the time, has the highest probability of success. Innovations can start simple, and employees can build on their success in this unending process.

---

### **19.12 SUMMARY**

---

Control techniques play a significant role in achieving the organizational goals. Control techniques vary from organizations, nature of operations, and organizational culture. Control tools used depend upon the type of situation that exists. Budgetary control is a commonly used device. There are different types of budgets like master budget, materials budget, revenue budget sales budget, production budget etc., while developing budgets, methods employed can be top down budgeting, bottom up budgeting and zero based budgeting.

Financial controls do help the organizations to know their financial positions. The investment decisions related to expansions, diversifications need the better understanding of organizations financial positions.

Quality control techniques have undergone sea change in the wake of technology advancement. Total quality is the order of the day to compete in the global market. Total quality management practices have brought delight to the customers and are rapidly progressing.

---

### 19.13 SELFASSESSMENT QUESTIONS

---

1. Bring out the importance of effective control devices techniques.
2. Explain the steps in break-even analysis.
3. What is master budget? What are the steps involved in the preparation of master budget
4. What is zero-based budgeting? How is it better than the traditional budgeting methods?
5. What are the benefits of budgetary control? Also list out the limitations.
6. What are the advantages and limitations of break-even analysis?
7. What is financial control?
8. Explain the components of financial control.
9. Write a note on balance sheet and income statement.

---

### 19.14 REFERENCE

---

1. Davar. *The Management process*. Mumbai: Progressive Corporation Pvt. Ltd, 2010.
2. Harold Koontz. Heinze Weihrich. *Essentials of management*, New York: MacGraw-Hill, 1993
3. J S. Chandan. *Management Concepts and Strategies*, New Delhi: Vikas Publishing House Pvt Limited, 1997.
4. Chauhry Omvir, Prakash Singh. *Principles of Management*, New Delhi: New Age International Publishers, 2012.
5. Peter. Drucker. *Management of 21<sup>st</sup> Century*, New York: HarperBusiness, 2001.
6. Prasad L.M. *Principles of Management*, New Delhi: Sultan Chand & Sons, 2015.
7. Stoner J.A. and Freeman R.E. ***Management, New Delhi: Pearson Education India, 1995.***
8. Richard L. Daft. *Management*, Massachusetts, United States: Cengage Learning, 2013.
9. S.K. Mandal. *Management: Principles and Practice*, Mumbai: Jaico Publishing House, 2011.

---

## **UNIT - 20: ROLE OF TECHNOLOGY - CONTROL FUNCTIONS**

---

### **Structure**

- 20.0 Objectives
- 20.1 Introduction
- 20.2 Importance of Information Technology in Controlling
- 20.3 Information
- 20.4 Types of information systems
- 20.5 Developing an MIS
- 20.6 Enterprise Audit
- 20.7 Social Audit
- 20.8 Trends in Quality and Financial Control.
- 20.9 Managing Challenges of Work Force Diversity
- 20.10 Summary
- 20.11 Self Assesment Questions
- 20.12 Reference

---

## **20.0 OBJECTIVES**

---

After studying this unit, you will be able to,

- Bring out the necessity of technology for effective control.
- Describe the use of computers in processing information and reporting
- Explain the various types of information systems.
- Identify the symptoms of inadequate reporting and develop guidelines to improve system.

---

## **20.1 INTRODUCTION**

---

Managers use not only extrinsic rewards such as pay, but the intrinsic rewards of meaningful work and the opportunity to learn and grow. Technology is used to empower employees by giving them the information they need to make effective decisions, work together, and solve problems. People are rewarded for team and organizational success as well as their individual performance, and there is an emphasis on equity among employees. Employees participate in a wide range of areas, including setting goals, determining standards of performance, governing quality, and designing control systems.

Measurement of performance is an important step in controlling. This step is of little value, if the information on such approaches is not given to the executives, who take corrective actions.

---

## **20.2 IMPORTANCE OF INFORMATION TECHNOLOGY IN CONTROLLING**

---

In a small company, a supervising executive can evaluate the results himself when few people are involved, it is easy to carry out all the four steps in controlling. When more people are involved, the task of reporting evaluation becomes more important.

Who should receive the control reports is a question that needs explanation. Control information should be sent immediately to the person whose work is being controlled. It does not mean that information should go to a machine operator. It should go to the person who takes decisions at the lower level. Control information should flow as a summary, at a later date to the controller's boss.

---

## 20.3 INFORMATION

---

Information is term that stands distinct from data. Data refers to collection of unorganized facts, statistics, opinions or prediction. Information on the other hand is processed data which is directly used in the decision making process. A data undergoes many steps before becoming information. Assembly is the, 1<sup>st</sup> stage, then comes processing. Processed data has to be analyzed, after undergoing storage-retrieval, evaluation and dissemination it becomes information.

---

## 20.4 TYPES OF INFORMATION SYSTEMS

---

Several types of information systems are in use. Some of them are explained below.

- **Transaction processing system**

Transactions taking place between two or more business entities are recorded here. The purpose of this system is to record, process and store information about transactions that take place in the functional areas like production, marketing, accounting, quality control, human resources, finance research and development, and so on. Optical scanning is used recently as a part of transaction processing system.

- **Management Information system**

These are general purpose - systems, providing managers with vital information about organizational activities. Input for management information system comes from transaction processing system. The volume and type of information handled are affected by some factors, that change continuously Economic, technological; social, political, and legal factors keep on changing. In order to control management decisions. MIS is much needed. Moreover, due to wide use of computers, there is rapid growth in the field of MIS. Day by Day, the computers are becoming more useful and less expensive to operate.

- **Decision support system**

This system accessed and processes vast amount of internal and external data and integrates these data with various decision making models. Best alternative can then be selected. MIS draws information mainly from internal transaction system, where as DSS is more capable of analyzing internal as well as external information in an integrated way



- **Executive support system**

Executive support system is a specialised decision support system. This is designed mainly for the use of top executive of a company. The information is used by the top management engaged in long range planning crisis management and other strategic decisions. :

- **Expert Systems (ES)**

An Expert system has three main components. Knowledge base serves as a storehouse for knowledge and experience of experts in a give field. Inference engine selects the appropriate knowledge arid application related to the specific problems. User interface consists of menus, graphics and help users to interact with the system. Expert system is also known as artificial intelligence.

- **Office automation system**

It serves the needs of those who are primarily involved in processing of data. This system includes word processing desktop publishing, E-mail, Videoconferencing and facsimile transmission etc.

---

## **20.5 DEVELOPING MIS**

---

It involves two phases namely, design phase and implementation phase.

Design phase consists of four steps. The decisions to be made for running an organization have to be identified. Objectives for the system should be set. Thirdly a feasibility report has to be prepared and finally a technical report has to be prepared.

Implementation phase consists of the following steps.

- Acquiring the necessary facilities, equipments and personnel
- Training the personnel
- Installing the new MIS
- Operating the system and
- Evaluating the MIS to see if it is doing what it was designed to do.

There should be a “management information system” that should act as a central location for processing all the information into. This center has all technical accessories to gather the facts and turn them management information.

An effective management information system should supply complete, accurate, and the timely information, so as to facilitate effective planning and decision-making. It identifies operational and performance variables in order to use them to forecast future trends. It should facilitate cost control. It identifies the separate needs of all units of a decentralized organization in a cohesive manner, so that these needs can be attended to without duplication and waste of efforts. It should present information in a presentable form. It should provide flexibility, i.e. it should be adaptable to the changes.

---

## **20.6 ENTERPRISE AUDIT**

---

The examination, monitoring and analysis of activities related to a company's operation, including its business structure, employee behavior and information systems. An internal audit is designed to review what a company is doing in order to identify potential threats to the organization's health and profitability, and to make suggestions for mitigating the risk associated with those threats in order to minimize costs.

### **Objectives of Internal Audit**

The objectives of the internal audit can be summarized as follows:

1. To verify the correctness, accuracy and authenticity of the financial accounting and statistical records presented to the management.
2. To confirm that the liabilities have been incurred by the organization in respect of its valid and legitimate activities.
3. To comment on the effectiveness of the internal control system and the internal check system in force and to suggest ways and means to improve these systems.
4. To facilitate the early detection and prevention of frauds.
5. To examine the protection afforded to company's assets and use of them for business purpose.
6. To identify the authorities responsible for purchasing assets and other items as well as disposal of assets.
7. To ensure that the standard accounting practices which have to be followed by the organization are strictly followed.
8. To undertake special investigation for the management.
9. To assist management in achieving the most efficient administration of the operation by establishing procedures by complying with company's operating policies.

## **Advantages of Internal Audit**

The advantages of internal audit are as follows:

1. Staffs remain alert because their work shall be checked by the internal auditor. So, accounting remains correct.
2. Internal audit helps to detect errors and frauds and provides suggestions to improve them which helps the management to take corrective action.
3. Internal audit detects the misuse of resources in time which helps to reduce unnecessary expenses.
4. Internal audit checks the efficiency of staffs which helps to increase the efficiency of them.
5. Internal audit checks the books of accounts, detects errors and frauds and helps in its correction which makes the act of final auditor easier.
6. Internal audit increases the morale of honest staff because evaluation of performance of any staffs will be made at any time.

---

## **20.7 SOCIAL AUDIT**

---

Social audit is the process of communicating the social and environmental effects of organizations' economic actions to particular interest groups within society and to society at large. Social audit is commonly used in the context of business, or corporate social responsibility (CSR), although any organization, including NGOs, charities, and government agencies may engage in social audit. Social Audit can also be used in conjunction with Community-Based Monitoring (CBM).

Social audit emphasizes the notion of corporate accountability. D. Crowther defines social audit in this sense as “an approach to reporting a firm's activities which stresses the need for the identification of socially relevant behavior, the determination of those to whom the company is accountable for its social performance and the development of appropriate measures and reporting techniques.” It is an important step in helping companies independently develop CSR programs which are shown to be much more effective than government mandated CSR.

Social audit is often used as an umbrella term to describe a broad field of research and practice. The use of more narrow terms to express a specific interest is thus not uncommon. Environmental audit may e.g. specifically refer to the research or practice of audit for an organization's impact on the natural environment. Sustainability audit is

often used to express the measuring and the quantitative analysis of social and economic sustainability.

---

## **20.8 TRENDS IN QUALITY AND FINANCIAL CONTROL**

---

Globalization has driven sea change in the operations of the organizations. Change has become the order of the day, and organizations are competing to evolve various strategies to have an edge over others. Control tools and techniques had to change accordingly to keep in pace with the globalization. Some of the trends witnessed are discussed below.

### **ISO 9000**

A set of international standards for quality management, setting uniform guidelines for processes to ensure that products conform to customer requirements.

Many companies are responding to changing economic realities and global competition by reassessing organizational management and processes—including control mechanisms. Some of the major trends in quality and financial control include international quality standards, economic value-added and market value-added systems, and activity-based costing.

### **International Quality Standards**

One impetus for total quality management in the United States is the increasing significance of the global economy. Many countries have endorsed a universal framework for quality assurance called **ISO 9000**, a set of international standards for quality management systems established by the International Organization for Standardization in 1987 and revised in late 2000. Hundreds of thousands of organization in 150 countries, including the United States, have been certified to demonstrate their commitment to quality. ISO 9000 has become the recognized standard for evaluating and comparing companies on a global basis, and more U.S. companies are feeling the pressure to participate in order to remain competitive in international markets. In addition, many countries and companies require ISO 9000 certification before they will do business with an organization.

### **New Financial Control Systems**

In addition to traditional financial tools, managers in many of today's organizations are using systems such as economic value-added, market value-added, and activity-based costing to provide effective financial control.

### **Economic Value-Added (EVA)**

A control system that measures performance in terms of after-tax profits minus the cost of capital invested in tangible assets.

EVA can be defined as a company's net (after-tax) operating profit minus the cost of capital invested in the company's tangible assets. Measuring performance in terms of EVA is intended to capture all the things a company can do to add value from its activities, such as run the business more, efficiently, satisfy customers, and reward shareholders. Each job, department, process, or project in the organization is measured by the value added. EVA can also help managers make more cost-effective decisions.

### **Market Value-Added (MVA)**

A control system that measures the stock market's estimate of the value of a company's past and expected capital investment projects.

Market value-added (MVA) adds another dimension because it measures the stock market's estimate of the value of a company's past and projected capital investment projects. For example, when a company's market value (the value of all outstanding stock plus the company's debt) is greater than all the capital invested in it from shareholders, bondholders, and retained earnings, the company has a positive MVA, an indication that it has increased the value of capital entrusted to it and thus created shareholder wealth. A positive MVA usually, though not always, goes hand-in-hand with a high overall EVA measurement.

### **Activity-Based Costing (ABC)**

A control system that identifies the various activities needed to provide a product and allocates costs accordingly.

Managers measure the cost of producing goods and services so they can be sure they are selling those products for more than the cost to produce them. Traditional methods of costing assign costs to various departments or functions, such as purchasing, manufacturing, human resources, and so on. With a shift to more horizontal, flexible organizations has come a new approach called activity-based costing (ABC), which allocates costs across business processes. ABC attempts to identify all the various activities needed to provide a product or service and allocate costs accordingly. For example, an activity-based costing system might list the costs associated with processing.

---

## 20.9 MANAGING CHALLENGES OF WORK FORCE DIVERSITY

---

Workplace diversity refers to the variety of differences between people in an organization.

That sounds simple, but diversity encompasses race, gender, ethnic group, age, personality, cognitive style, tenure, organizational function, education, background and more. Diversity not only involves how people perceive themselves, but how they perceive others. Those perceptions affect their interactions. For a wide assortment of employees to function effectively as an organization, human resource professionals need to deal effectively with issues such as communication, adaptability and change. Diversity will increase significantly in the coming years. Successful organizations recognize the need for immediate action and are ready and willing to spend resources on managing diversity in the workplace now.

### **Challenges of Diversity in the Workplace**

Taking full advantage of the benefits of diversity in the workplace is not without its challenges. Some of those challenges are:

**Communication** - Perceptual, cultural and language barriers need to be overcome for diversity programs to succeed. Ineffective communication of key objectives results in confusion, lack of teamwork, and low morale.

**Resistance to change** - There are always employees who will refuse to accept the fact that the social and cultural makeup of their workplace is changing. The “we’ve always done it this way” mentality silences new ideas and inhibits progress.

**Implementation of diversity in the workplace policies** - This can be the overriding challenge to all diversity advocates. Armed with the results of employee assessments and research data, they must build and implement a customized strategy to maximize the effects of diversity in the workplace for their particular organization.

**Successful Management of Diversity in the Workplace** - Diversity training alone is not sufficient for your organization’s diversity management plan. A strategy must be created and implemented to create a culture of diversity that permeates every department and function of the organization.

---

## 20.10 SUMMARY

---

Information in ones hand is equivalent to power in ones hand. Information is processed data which is directly used in the decision making process. The process of transformation of data into information involves different stages namely assembly, processing, analysis, storage and retrieval, evaluation and dissemination. Good information should be understandable, relevant, complete, available reliable, concise, timely and cost effective.

Computerised information system has grown rapidly nowadays. Expert systems rely on Artificial intelligence. Information system are of six types namely, transaction processing systems, management information systems and office automation systems. Developing an MIS undergoes the phases of design and implementation. MIS conception of MIS may lead to failures. Whenever the symptoms of inadequate MIS are observed, corrective actions are to be taken. Information is communicated faster nowadays with advanced technology. We can say that information superhighway is under construction in advanced Western countries and” it will soon reach the entire world. Controlling can be effective with the efficient use of reporting system.

The philosophy of controlling has shifted to reflect changes in leadership methods. Traditional bureaucratic controls emphasize establishing rules and procedures, then monitoring employee behavior to make sure the rules and procedures are followed. With decentralized control, employees assume responsibility for monitoring their own performance.

Besides monitoring financial results, organizations control the quality of their goods and services. They might do this by adopting total quality management (TQM) techniques such as quality circles, benchmarking, Six Sigma, reduced cycle rime, and continuous improvement.

Recent trends in control include the use of international quality standards, economic value-added (EVA) and market value-added (MVA) systems, and activity-based costing (ABC). Other important aspects of control in today’s turbulent environment are open-book management and use of the balanced scorecard. In addition, concerns such as corporate governance and employee monitoring are significant issues for today’s managers.

---

## 20.11 SELFASSESSMENT QUESTIONS

---

1. Explain the role of computers in information systems.
2. What are the symptoms of inadequate information?
3. What is MIS? Explain its significance in managerial decision making process.
4. Explain the types of information system?
5. What is social audit?
6. Explain enterprise audit with relevant example.
7. Examine the trends in quality and financial control.

---

## 20.12 REFERENCE

---

1. Davar. *The Management process*. Mumbai: Progressive Corporation Pvt. Ltd, 2010.
2. Harold Koontz. Heinze Wehrich. *Essentials of management*, New York: MacGraw-Hill, 1993
3. J S. Chandan. *Management Concepts and Strategies*, New Delhi: Vikas Publishing House Pvt Limited, 1997.
4. Chauhry Omvir, Prakash Singh. *Principles of Management*, New Delhi: New Age International Publishers, 2012.
5. Peter. Drucker. *Management of 21<sup>st</sup> Century*, New York: HarperBusiness, 2001.
6. Prasad L.M. *Principles of Management*, New Delhi: Sultan Chand & Sons, 2015.
7. Stoner J.A. and Freeman R.E. ***Management, New Delhi: Pearson Education India, 1995.***
8. Richard L. Daft. *Management*, Massachusetts, United States: Cengage Learning, 2013.
9. S.K. Mandal. *Management: Principles and Practice*, Mumbai: Jaico Publishing House, 2011.