PRINCIPLES OF MANAGEMENT

PGDBA-101



BLOCK 1: INTRODUCTION TO MANAGEMENT

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PRINCIPLES OF MANAGEMENT

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ROLE OF SELF INSTRUCTIONAL MATERIAL IN DISTANCE LEARNING

The need to plan effective instruction is imperative for a successful distance teaching repertoire. This is due to the fact that the instructional designer, the tutor, the author (s) and the student are often separated by distance and may never meet in person. This is an increasingly common scenario in distance education instruction. As much as possible, teaching by distance should stimulate the student's intellectual involvement and contain all the necessary learning instructional activities that are capable of guiding the student through the course objectives. Therefore, the course / self-instructional material are completely equipped with everything that the syllabus prescribes.

To ensure effective instruction, a number of instructional design ideas are used and these help students to acquire knowledge, intellectual skills, motor skills and necessary attitudinal changes. In this respect, students' assessment and course evaluation are incorporated in the text.

The nature of instructional activities used in distance education self-instructional materials depends on the domain of learning that they reinforce in the text, that is, the cognitive, psychomotor and affective. These are further interpreted in the acquisition of knowledge, intellectual skills and motor skills. Students may be encouraged to gain, apply and communicate (orally or in writing) the knowledge acquired. Intellectual-skills objectives may be met by designing instructions that make use of students' prior knowledge and experiences in the discourse as the foundation on which newly acquired knowledge is built.

The provision of exercises in the form of assignments, projects and tutorial feedback is necessary. Instructional activities that teach motor skills need to be graphically demonstrated and the correct practices provided during tutorials. Instructional activities for inculcating change in attitude and behavior should create interest and demonstrate need and benefits gained by adopting the required change. Information on the adoption and procedures for practice of new attitudes may then be introduced.

Teaching and learning at a distance eliminates interactive communication cues, such as pauses, intonation and gestures, associated with the face-to-face method of teaching. This is particularly so with the exclusive use of print media. Instructional activities built into the instructional repertoire provide this missing interaction between the student and the teacher. Therefore, the use of instructional activities to affect better distance teaching is not optional, but mandatory.

Our team of successful writers and authors has tried to reduce this.

Divide and to bring this Self Instructional Material as the best teaching and communication tool. Instructional activities are varied in order to assess the different facets of the domains of learning.

Distance education teaching repertoire involves extensive use of self-instructional materials, be they print or otherwise. These materials are designed to achieve certain pre-determined learning outcomes, namely goals and objectives that are contained in an instructional plan. Since the teaching process is affected over a distance, there is need to ensure that students actively participate in their learning by performing specific tasks that help them to understand the relevant concepts. Therefore, a set of exercises is built into the teaching repertoire in order to link what students and tutors do in the framework of the course outline. These could be in the form of students' assignments, a research project or a science practical exercise. Examples of instructional activities in distance education are too numerous to list. Instructional activities, when used in this context, help to motivate students, guide and measure students' performance (continuous assessment)

PREFACE

We have put in lots of hard work to make this book as user-friendly as possible, but we have not sacrificed quality. Experts were involved in preparing the materials. However, concepts are explained in easy language for you. We have included many tables and examples for easy understanding.

We sincerely hope this book will help you in every way you expect.

All the best for your studies from our team!

PRINCIPLES OF MANAGEMENT

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BLOCK 1: INTRODUCTION TO MANAGEMENT

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BLOCK 1: INTRODUCTION TO MANAGEMENT

Block Introduction

A manager's task is to solve problems innovatively, and management is thus "the art of getting things done through the efforts of other people." The principles of management, then, are the means by which you actually manage, that is, get things done through others individually, in groups, or in organizations. Formally defined, the principles of management are the activities that, "plan, organize, and control the operations of the basic elements of people, materials, machines, methods, money and markets, providing direction and coordination, and giving leadership to human efforts, so as to achieve the sought objectives of the enterprise."

In this block we will learn and study about the principles of management with central focus on complete management process along with workflow diagram. The basic details about management thoughts and ideas are well detailed with examples and illustrations.

After going through this block, students will gather information on management and its features and how management affects human and physical resources. The idea about different management goals with examples are explained so that the user will find easy to work in their domain.

Block Objective

After learning this block, you will be able to understand:

- Basic idea about management.
- Purpose of management.
- Characteristics functions of management.
- Qualities of having a good management.
- Understanding about schools of management thought.
- Need of behavioural science approach.
- Factors affecting contingency approach.

- Details about the management trends.
- Idea about management professional study.

Block Structure

Unit 1: Nature and Functions of Management

Unit 2: Evolution of Management Thought

UNIT 1: NATURE AND FUNCTIONS OF MANAGEMENT

Unit Structure

1.0 Learning Objectives

1.1 Introduction

1.2 Definition of Management

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1.0 Learning Objectives

After learning this unit, you will be able to understand:

- Nature and Process of Management.
- Management as a Science and an Art.
- Various functions of Management.
- Importance of Management.
- Difference between Administration and Management.
- Skills and Role of a Manager.

1.1 Introduction

Organisations have a plethora of goals which usually directs their energies and resources to achieve these goals. Organisations possess human as well as non-human resources (plant, equipment, land, money, etc.) that are put to use in the accomplishment of target oriented and time bound goals. Management is the force that unifies resources in the service of organisational goals. It is a process of getting results with and through people.

Management is needed whenever people work together in an organisation. The managerial functions which includes planning, organizing directing and controlling must be performed by a person who is capable of managingorganisedefforts, whether it is a business enterprise, religious organisation, military outfit or a social. These functions are performed at all levels in an organisation, regardless of its type or size. The services of management are essential in all cooperative endeavors.

In this unit, you will learn about the various features of Management, viz science, art, profession, group/team, process etc.

1.2 Definition of Management

It is not easy to define the term management. There are as many definitions of management for the following reasons:

- Management is a vast and extensive subject. It is therefore, not possible to put all the essential features of management in a single formula.

- Management is concerned with human beings, who are highly unpredictable in terms of behavior.
- Management is a young developing discipline whose concepts are dynamic.

Most definitions of the term ‘management’ emphasise on one common idea: it is concerned with the accomplishment of objectives through the conscious efforts of the people performing certain functions.

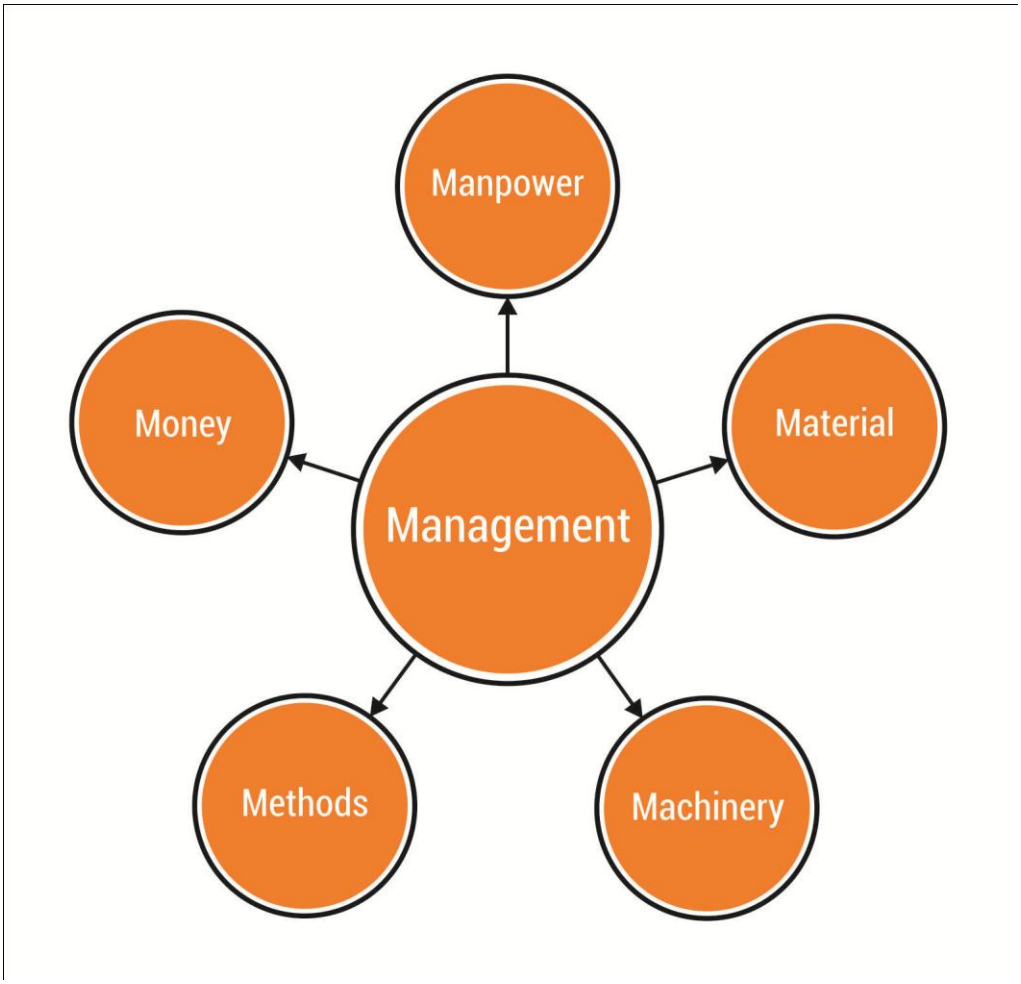


Fig 1.1 Management unifies all resources

Let us look into these definitions:

- Management is the accomplishment of results through the efforts of other people. (Lawrence. A. Appley).
- Management is the art of getting things done through and with the people in formally organized groups. (Koontz. H).

- Management is a process of planning, organising, actuating and controlling to determine and accomplish the objectives by the use of people and resources. (Terry G)
- Management is the process by which managers create, direct, maintain and operate purposive organisations through systematic, coordinated, cooperative human effort. (Mc Fariand)
- It is the coordination of all resources through the process of planning organising, directing and controlling in order to attain stated objectives. (Sisk)

Some authorities on the subject have defined management as a decision-making, rule-making, and rule-enforcing body.

According to Prof. Moore, management means decision-making. Others like Appley call it personnel administration. For the sake of simplicity and convenience, we can broadly define it as: "Management is concerned with resources, tasks and goals". It is the process of planning organising, staffing, directing and controlling to accomplish organisational objectives through the coordinated use of human and material resources.

Check your progress 1

1. Management is the accomplishment of results through the efforts of other people.

   a. Lawrence .A. Appley
   c. Terry G
   b. Koontz .H.
   d. Peter .F. Drucker

2. Management is a process of planning, organizing, actuating and controlling to determine and accomplish the objectives by the use of people and resources.

   a. Terry .G
   c. Peter .F. Drucker.
   b. Koontz .H.
   d. Lawrence .A. Appley.

3. Management means decision making.

   a. Prof. Moore.
   c. Peter .F. Drucker.
   b. Koontz .H.
   d. Terry .G

1.3 Nature of Management

Management is related to regulating human and physical resources in order to achieve organisational goals.

The nature of management can be highlighted as:

1. **Management is Goal-Oriented:** The accomplishment of several management activities advances by its appearance of its planned aims or objective. Management is involved in descriptive action. It continues a facility which supports the operation of communal as well as corporal revenues to fulfil the pre-determined approaches. For simulation, the objective of a business is to claim maximum customer engorgement by developing specialty article additionally at feasible charges. This can be apprehended by exercising desirable persons furthermore bringing about favourable usage connectedly minimal reserves.



Fig 1.2 Management is Goal Oriented

2. **Management integrates Human, Physical and Financial Resources:** In an organisation, communal presence functions with non-human reserves like instruments, components, financial inventories, frameworks etc. The entire establishment sticks together communal actions with those reserves. It carries about a conspicuous consonance among the communal, corporal as well as financial reserves.
3. **Management is Continuous:** Management is basically an on-going approach which encompasses responding of difficulties as well as handling

various consequences. It exists while considering the determination of difficulties which will achieve adequate grades to recognize it. It is analysed that the objective of an establishment continues as utmost development mechanism. For arresting this destination, complex mechanisms are to be conveyed away furthermore which endures without conclusion. Marketing and broadcasting continues furthermore to be endeavoured for comprehension generally which instructions acquire to be arranged, so this is called as an on-going mechanism.

4. **Management is all Pervasive:** Management continues imperative in conclusive categories of organisations whether it continues political, communal and cultural or business which will handle and commands complex behaviours towards a perfect approach. We see that clubs, hospitals, political parties, colleges, hospitals, business firms all require management. If more that an individual person is engaged in common work, then under such situation, management plays an important role. It is immaterial of the small firm in trading or large firm, all requires management.

5. **Management is a Group Activity:** Management is not as concerned with individual efforts as it is about groups and team work. It involves the use of teamwork to achieve predetermined goal of management.

6. **Principles are Dynamic in Nature:** Principle is a fundamental truth, which establishes cause and effect relationships of a function within a set- up. Based on integration and supported by practical evidences, the management has framed certain principles. However, these principles are flexible in nature and keep changing with the environment in which the organisation exists. Because of the continuous development in the field, many older principles are replaced by new principles. Continuous researches are being carried out to establish principles in changing society and no principle can be regarded as a final truth. In fact, there is nothing permanent in the landslide of management.

7. **Principles are Relative, not absolute:** Management principles are relative, not absolute and they should be applied according to the need of the organisation. The organisational difference between organisations may exist because of time, place, socio-cultural factors, etc. However, individuals working within the same organisation may also differ. Thus, a particular management principle has different strengths in different conditions. Therefore, principles of management should be applied in the light of

prevailing conditions. Allowance must be made for different changing environment.

8. **Management is a Science, Art and Profession:** There is a controversy whether management is science or art. However, management is both a science and an art because it follows principles of science and requires the skills of an art. Management has been regarded as a profession by many while many have suggested otherwise.

9. **Management is Decision-Making:** Management process involves decision-making at various levels. This usually includes delegation of work.. Decision-making basically involves selecting the most appropriate alternative out of the several alternatives available. If there is only one alternative, the question of decision-making does not arise. The quality of the alternative that a manager selects determines the organisation's performance and the future of the entire organisation rests on the degree of right decisions are made by this class of executives. Therefore, the success or failure of managers can be judged by the quality of decisions that they make.

The nature of management suggests that:

- It is a multidisciplinary phenomenon.
- Its principles are flexible, relative and not absolute.
- It is both science and art.
- It can be taken as a profession.
- Finally, it is universal.
- It is an organised activity involving decision making, with existence of objectives.

It is working with the people, through establishing goals by utilising available resources.

Check your progress 2

1. Management is not related with decision-making.

   a. True

   b. False

2. Management is not goal oriented.

   a. True

   b. False

3. Management is a group activity.

   a. True

   b. False

4. Management is continuous.

   a. True

   b. False

5. Management is Science. Art and Profession.

   a. True

   b. False

1.4 Management as a Process

When considering management as a process, management refers to a series of inter–related functions. It is the process by which management creates, operates and directs purposive organisation through systematic, coordinated and co-operative human efforts. According to George R. Terry, "Management is a distinct process consisting of planning organising, actuating and controlling, performed to determine and accomplish stated objective by the use of human beings and other resources." As a process, management consists of three aspects:

1. **Management is a social process:** Since the human factor is most important among the other factors, management is concerned with developing relationships among people. It is the duty of the management to make interaction between people productive and useful for obtaining organisational goals.

2. **Management is an integrating process:** Management undertakes the job of bringing together human physical and financial resources so as to achieve the end-organisational purpose. Therefore, it is an important function to bring harmony between various factors.

3. **Management is a continuous process:** As a never ending process, Management is concerned with constantly identifying the problems and solving them by taking adequate steps. It is an on-going process.

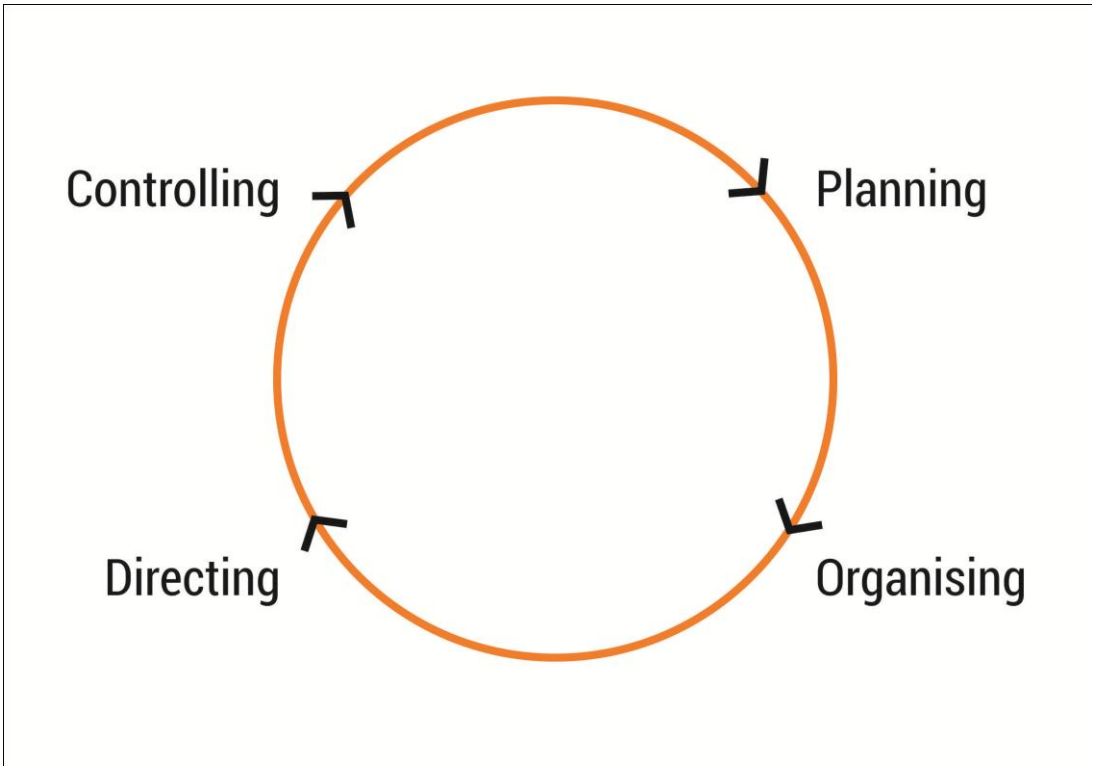


Fig 1.3 Management process

Check your progress 3

1. Explain "Management as a continuous process". Management refers to a series of:

   a. Inter-related functions. b. Independent functions.

   b. Related functions. d. None of the above.

2. "Management is a distinct process consisting of planning organising, actuating and controlling, performed to determine and accomplish stated objective by the use of human beings and other resources."

   a. George .R. Terry. c. Koontz .H.

   b. Peter .F. Drucker. d. None of the above.

1.5 Management as a Science and an Art

Management is a wide concept which is not restricted to limited region but plays an important role in our everyday life. It begins with self-arrangement and serves as a mixture of planning organising, controlling, directing as well as coordinating.

It involves both science and an art which stands clear among them with several strong constituents.

1.5.1 Management as a Science

Management continues as a science in experience which is accurate, scientific as well as correct arrangements possessing as comprehended as well as digested. Many custodians will acquire a favourable control of assured quantitative mechanisms by encompassing financial as well as geometric documentation along with below scientific as well researched are checked as constituents which is similar as communal stimulation along with the consequence of contradictory incentive systems based on operation of no uniform assignments. In extension, it may additionally describe a science which depends on additional enclosed establishment of truisms which for time being approximated as outclass behaviours with their emphasis on calculation as well as explanation of assessments against contexts along with regions. It believes that management describes as science since it consists relevantly of balanced as well as accounted operations.

In acquisition, it endures science since of the measure to which caretakers are agreeable to invest in acquisition of information along with their acquiescence on which the management activity is based upon in form of critical operation of information. Management claims a comprehensively elaborated thinking to arrange as well as command the operation of the organisation's reserves, an understanding that existed precisely relevant in intervals of economic critical moments.



Fig 1.4 Management as a Science

It can be called as science since the organisations led to expert handling and monitoring that can achieve better adaptability to have good planning for running and maintaining business goals. Management uses precise measurement, research and planning which makes 'scientific' disciplines to gear up in getting faster response.

1.5.2 Management as an Art

We can say that management behaves as an art related to fixed and definite structures, which led to use of creativity, imagination, initiative and invention in the overall sphere of the occupation.



Fig 1.5 Management is an Art

In management, creativity is required. Skills and the techniques describe the art of management as described below:

- Managers will fight for resources from all other organisations with correct skills and methods.
- Managers should only design that gives great value.
- Inventors should be rewarded.
- Purchase apart from what is there and label it again.
- Combine internal and external products in order to have more value.
- Retain employees by being successful.
- Become powerful and challengeable in the market.

Management can be an art if they possess:

- Logical reasoning with step by step achievement of goals and purposes.
- Clear and attractive development policies to attain goals.
- Control of desired resources.
- Logical design organisation, direction as well as monitoring of activities and resources for particular purposes.
- Rewarding and Boosting qualities in getting work done.

It is seen that management is a mixture of both economic and cultural activities that aims to be applied everywhere. If the above combination gets disturbed than management will not function properly.

Check your progress 4

1. Management is the combinations of

   a. Planning and organising.

   b. Planning.

   c. Organising.

   d. Forecasting.

2. Management is part of the_____.

a. Everyday Life.

b. One day Life.

c. Two day Life.

d. Three day Life.

1.6 Management Functions

Management can be called off as a social process which is responsible for economic and accurate arrangement along with rules of operation for a particular organisation in fulfilling desired request. This is a dynamic way as it contains several constituents and activities that are different in terms of operations that could be in areas of marketing, finance, purchase, etc. Instead, such activities are similar among each other as per the different levels of manager status.

Logically, it is easy to bifurcate the function of management while practically such can place one above another in nature. Every function will take the shape into other and further will affect the performance.

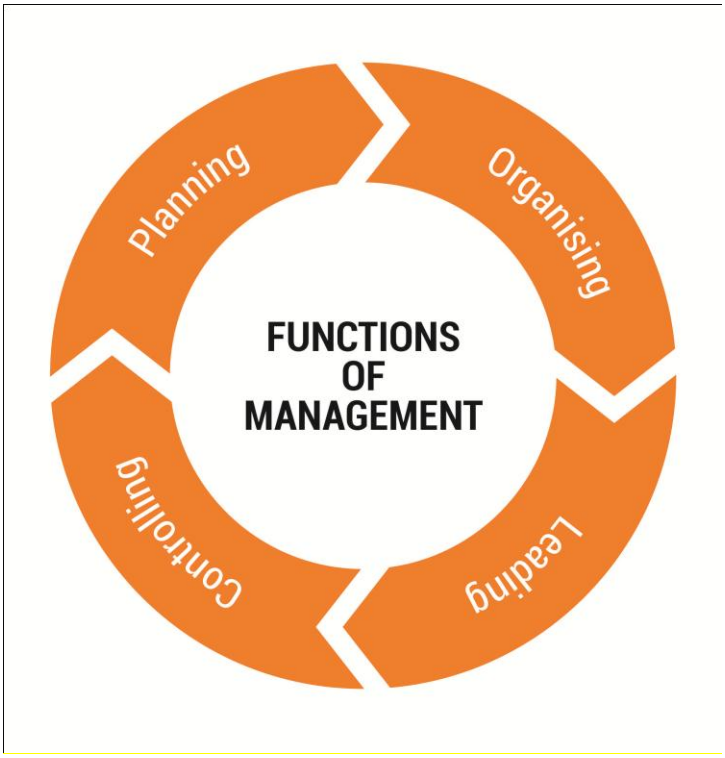


Fig 1.6 Functions of Management

1. **Planning:** Planning is the foremost feature of a management which behaves with plans for future course of action and decides for the most correct course of actions in getting fixed goals. According to Koontz, planning is the advance preparation of action to be taken related to any work. This will link from the starting of a phase to the implementation phase. It is a future direction to be taken which could be worked in problem solving exercises and decision making. It is studied that planning shows related course of action to meet the required goals which involves straight and clear thinking about ways and means for doing fixed goals. Planning serves as a correct usage among human as well as non-human resources.

2. **Organising:** Organising is related to involvement of physical, financial, human resources as well as development of productive relationships which appears amongst themselves for obtaining organisational criteria's. Henry Fayol relates organisation as arranging a business which will give everything required for working and functioning. Practically, organising a business needs finding and showing human and non-human constituents for organisational arrangements. The process of Organising includes:

    - Exploring activities
    - Classifying activity groups
    - Declaration of responsibilities
    - Delegating authority and responsibility
    - Functioning with authority and coordination

3. **Staffing:** It involves association of manpower to support an organisation function. With the advent of new technologies and spreading of business avenues, staffing play an important role in catering services rendered by organisations. The idea of staffing is assign right job for right people. Kootz and O'Donell explained staffing as manpower involvement in an organisation as per desired selection Staffing involves:

    - Recruitments after planning
    - Processes related to recruitment, selection along with placement
    - Activities related to Training and development
    - Basic remuneration to be offered
    - Appraisals

- Promotions and transfers

4. **Directing:** This is the sector of managerial function which allows organisational methods to work correctly and efficiently in obtaining organisational challenges. This is an inter-personnel concern of a management that influences, guide, supervise and motivate sub-ordinates for obtaining organisational parameters. Direction has the following elements:

   - **Supervision:** Inspecting the work of **sub-**ordinates with the help of superiors.
   - **Motivation:** This involves the work of a superior to inspire, stimulate and encourage with passion to work.
   - **Leadership:** It is the capability which shows the guidance given by mangers to his subordinate to work in certain direction.
   - **Communications:** This involves sharing, communicating and passing of related information from one person to another. This serves as a bridge of understanding.

5. **Controlling:** It implies measurement of approach against particular standards with alterations in deflection, if any, will make sure the approach of organisational objectives. The idea behind controlling is to make sure that all will come in conformity with particular standards. A good effective mechanism will handle to think about deflection earlier at times when it actually occurs. Controlling, as per Theo Haimann is basically a mechanism of analysing progress that happens towards particular aims and objectives if required to correct any deflection. Koontz and O'Donell explained controlling as mechanism that involves correction of activities of subordinates to ensure about enterprise objectives with related plans to get them arrived. Therefore, controlling has the following steps:

   - Establishing constant measures
   - Measure real performance
   - Comparing performances with standards and locating deviations
   - Corrective action

Check your progress 5

1. A _____ is a future course of actions.

   a. Plan. c. Controlling.

   b. Decision. d. Supervision.

2._____ may be defined as a process by which a manager guides and influences the work of subordinates in desired direction

   a. Leadership. c. Supervision.

   b. Planning. d. Controlling.

1.7 Importance of Management

The importance of management may be traced in the following contexts:

1. **Effective Utilisation of Resources:** Management tries to make effective utilisation of various resources. The resources are scarce in nature and to meet the demand of the society, their contribution should be maximum for the general interests of the society. The management not only decides in which particular alternative a particular resource should be used, but also takes actions to utilise it in that particular alternative in the best way.

2. **Development of Resources:** Management develops various resources. This is true with human as well as non-human factors. Lawrence Appley has emphasised that, management is the development of people. However, most of the researches for resource development are carried on in an organised way and management is involved in these organised activities. Thus, through the development of resources, management improves the quality of lives of people in the society.

3. **To Incorporate Innovations:** Today, changes are occurring at a very fast rate in both technology and social process and structure. These changes need to be incorporated to keep the organisations alive and efficient. Business organisations are moving from primitive to sophisticated. Therefore, they require high degree of specialisation, high level of competence and complex technology. All these require efficient management so that organisations work in the most efficient way.

4. **Integrating Various Interest Groups:** In the organised efforts, there are various interest groups and they put pressure over other groups for maximum share in the combined output. For example, in the case of a business organisation, there are various pressure groups such as shareholders, employees, government, etc. These interest groups have pressure on an organisation. In a more advanced and complex society, more such pressure is on the organisation. Management has to balance these pressures from various interest groups.

5. **Stability in the Society:** Management provides stability in the society by changing and modifying the resources in accordance with the changing environment of the society. In the modern age, more emphasis is on new inventions for the betterment of human beings. These inventions make old systems and factors mostly obsolete and inefficient. Management provides integration between traditions and new inventions and safeguards society from the unfavourable impact of these inventions so that continuity in social process is maintained.

Check your progress 6

1. Management tries to make effective utilization of various _____.

   a. Resources. c. Men.

   b. Materials. d. Method

2. _____has emphasized that, management is the development of people.

   a. Lawrence Appley. c. George .R. Terry.

   b. Peter .F. Drucker. d. Koontz .H.

1.8 Management and Administration

According to Theo Haimann, "Administration means overall determination of policies, setting of major objectives, the identification of general purposes and lying down of broad programmes and projects." It refers to the activities of higher level. It lays down basic principles of the initiative. According to Newman, "Administration means guidance, leadership and control of the efforts of the groups towards some common goals."

Management involves conceiving, initiating and bringing together the various elements and coordinating, actuating, integrating the diverse organisational components while sustaining the viability of the organisation towards some pre-determined goals. In other words, it is an art of getting things done with the help of others in formally organised groups.

The difference between management and administration can be summarised under two categories:

- Functions
- Usage / Applicability

Difference between Management and Administration on the basis of Functions

Sr. No.	**Basis**	**Management**	**Administration**
1	Meaning	Management is an art wherein the efforts of others are redirected to achieve a particular goal via team work.	It is concerned with formulation of broad objectives, plans and policies.
2	Nature	Management is an executing function.	Administration is a decision-making function.
3	Process	Management decides who should do something and how he should do it.	Administration resolves what is to be done and when it is to be done. There is no questioning them.
4	Function	Management is a doing function because managers get all the work completed under their supervision.	Administration is a thinking function because plans and policies are determined under it.
5	Skills	Technical and Human skills	Conceptual and Human skills
6	Level	Middle and lower level function	Top level function

Difference between Management and Administration on the basis of Usage

Sr. No.	Basis	Management	Administration
1	Applicability	It is applicable to business concerns i.e. profit-making organisations.	It is applicable to non-business concerns i.e. clubs, schools, hospitals etc.
2	Influence	The management decisions are predisposed by the values, opinions, and beliefs and decisions of the managers.	The administration is inclined to abide by public opinion, government policies, religious organisations, customs etc.
3	Status	Management constitutes the employees of the organisation who are paid a fixed monetary remuneration (in the form of salaries and wages).	Administration represents owners of the enterprise who earn return on their capital invested and profits in the form of dividend.

Practically, there is no difference between management and administration. Every manager is concerned with both – administrative management function and operative management function. However, the managers who are higher up in the hierarchy devote more time on administrative function and the lower level devote more time on directing and controlling worker's performance, i.e. management.

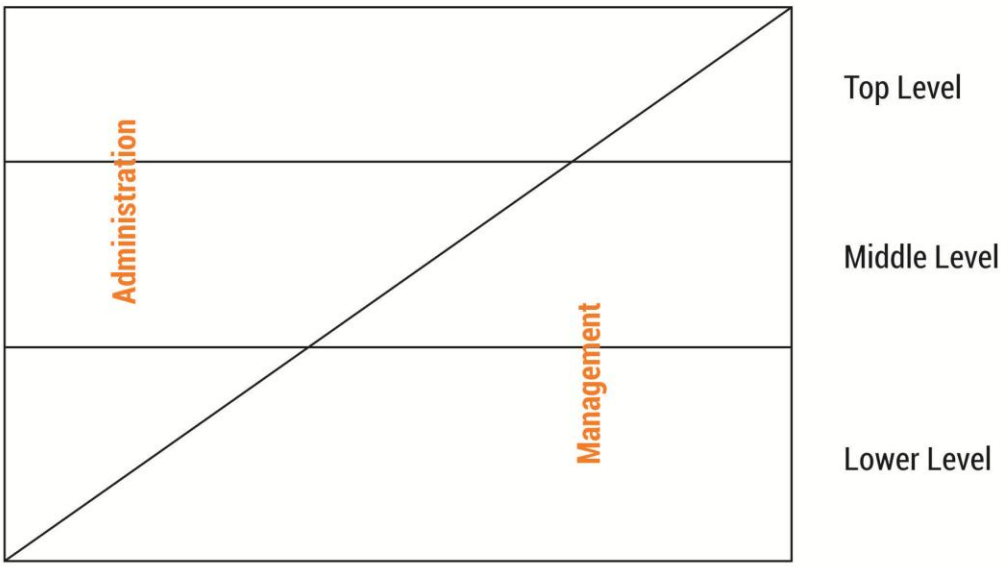


Fig 1.7 Management and Administration

The Figure above clearly shows the degree of administration and management performed by the different levels of management.

Check your progress 7.

1. Management is a _____ function.

   a. Executing.

   b. Executed.

   c. Executory.

   d. Execution.

2. Administration is a _____ function.

   a. Decision –making.

   b. Executed.

   c. Executory.

   d. Execution.

1.9 Managerial Skills

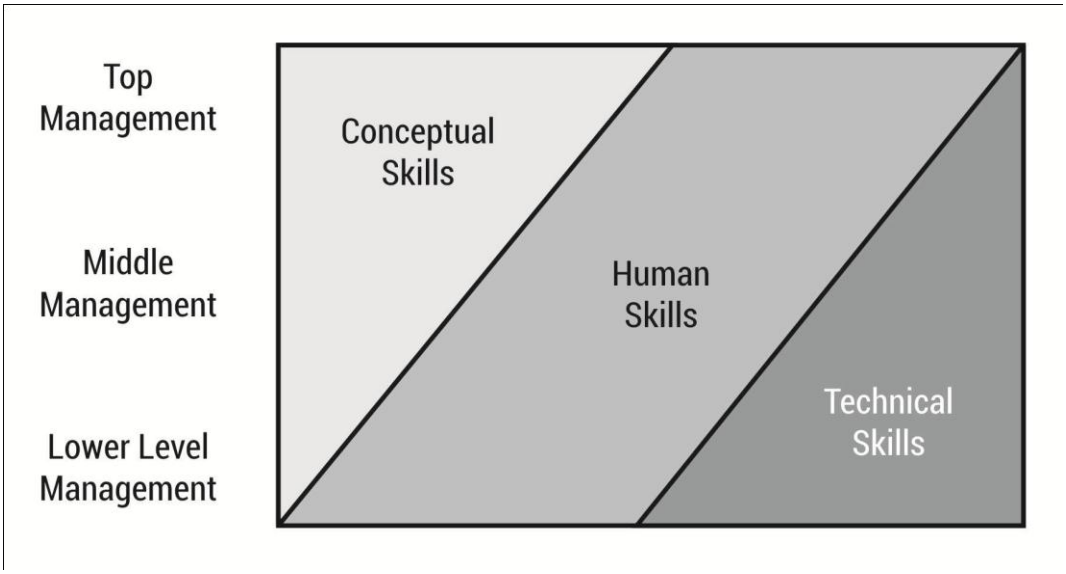


Fig 1.8 Managerial Skills

A professional association of practicing managers, the American Management Association, has identified important skills for managers that encompass conceptual, communication, effectiveness and interpersonal aspects. These are briefly described below:

- **Technical skills: Adequate** Knowledge of and proficiency in a certain specialised field, such as engineering, computers, financial and managerial accounting or manufacturing is essential.
- **Human skills:** This includes ability to serve well individually or in group since the idea is that managers interact directly with people.
- **Conceptual Skills:** This involves using logic to solve problems, locating opportunities, finding problems and locating faults. This skill will help in selecting critical information among a lots of data by understanding technology and business structure.
- **Communication Skills:** This skill involves transposing thoughts into words or action. It serves to improve image among colleagues and subordinates with interaction involved among various grounds.
- **Effectiveness Skills:** This involves contribution or sharing missions or objectives with focus on customer relation, project management and setting and maintaining performance levels.

- **Interpersonal Skills:** It involves regulation and mentoring with diversified factors related to people and culture, to help cultivate a network inside an establishment along with commitment and cooperation.

  In today's demanding and dynamic workplace, employees who are invaluable to an organisation must be willing to constantly upgrade their skills and take on extra work outside their own specific job areas. There is no doubt that skills will continue to be an important way of describing what a manager does. An up gradation of individual skills helps in the overall improvement of the organisation as a whole. It gives it the cutting edge over all other contemporaries.

- **Design skill:** Koontz and Weibrich added one more skill to the above list. Design skill is the ability to solve problems in ways that will help the organisation. At higher levels, managers should be able to move beyond perceiving a potential problem. They are expected to design a workable solution to a problem in the light of realities they face. If managers merely see a problem and become problem watchers, they will fail.

1.9.1 Role of a Manager

1. Interpersonal Role

- **Figurehead:** This includes the traditional role akin to that of the head of a big family; these gestures go a long way in building a rapport with the employees. This role would expect the manager to perform duties of welcoming and felicitating dignitaries, going for business lunches and attending important functions of employees.

- **Leader:** As a leader, every manager must encourage and persuade his employee to work. He must try to bring together their interpersonal needs with the goal of organisation. He is the sole motivator of the employees working under him which means he must enjoy not just their trust but also their respect.

- **Liaison:** In his role as a liaison, every manager must develop contacts outside his perpendicular chain of command to collect information for his organisation.

2. Informational Role

- **Monitor:** As a monitor, the manager has to constantly scan his environment for information, debrief his contacts and his subordinates and decide on unsolicited information, where much of it a result of the network of personal contact developed.
- **Disseminator:** In the role of a disseminator, the manager passes some information openly to his subordinates who would otherwise have no access to it.
- **Spokesman:** In this role, the manager informs to satisfy various groups and people who influence his organisation. He assures his shareholders of financial performance. He assures consumer groups that the organisation is fulfilling its social responsibilities. He satisfies the government that the organisation is abiding laws.

3. Decision Role

- **Entrepreneur**: In this role, the manager is an idea- seeker who seeks to improve his unit by adapting it to changing conditions in the environment.
- **Disturbance Handler**: In this role, the manager is expected to seek solutions of various unforeseen problems – for example if there is a strike, lockdown or a major customer goes bankrupt it is the duty of the manager to find a solution.
- **Resource Allocator:** In this role, the manager must divide work and delegate authority among his subordinates. He must decide who will get what.
- **Negotiator:** The manager has to spend considerable time in negotiation. As a representative of his company it is the duty of the manager to negotiate with the management for the welfare of the workers, he needs to negotiate with the union leader if there is a strike issue, or the foremen may negotiate with the workers on any grievances they may have.

Check your progress 8

1. In this role, the manger informs to satisfy various groups and people who influence his organisation.

   a. Spokesman. c. Disseminator.

   b. Monitor. d. Monitor.

2. In this role the manager passes some information openly to his subordinates who would otherwise have no excess to it.

   a. Disseminator. c. Spokesman.

   b. Monitor. d. Monitor.

1.10 Levels of Management

In an organisation, there are certain levels defined by the management wherein each level is confined with its nature and activities involved. The levels of management can be classified in three broad categories:

- Top level / Administrative level
- Middle level / Executor level
- Low level / Supervisory / Operative / First-line managers

It is seen that different levels has different work area and functions. The role of managers at all the three levels is discussed below:

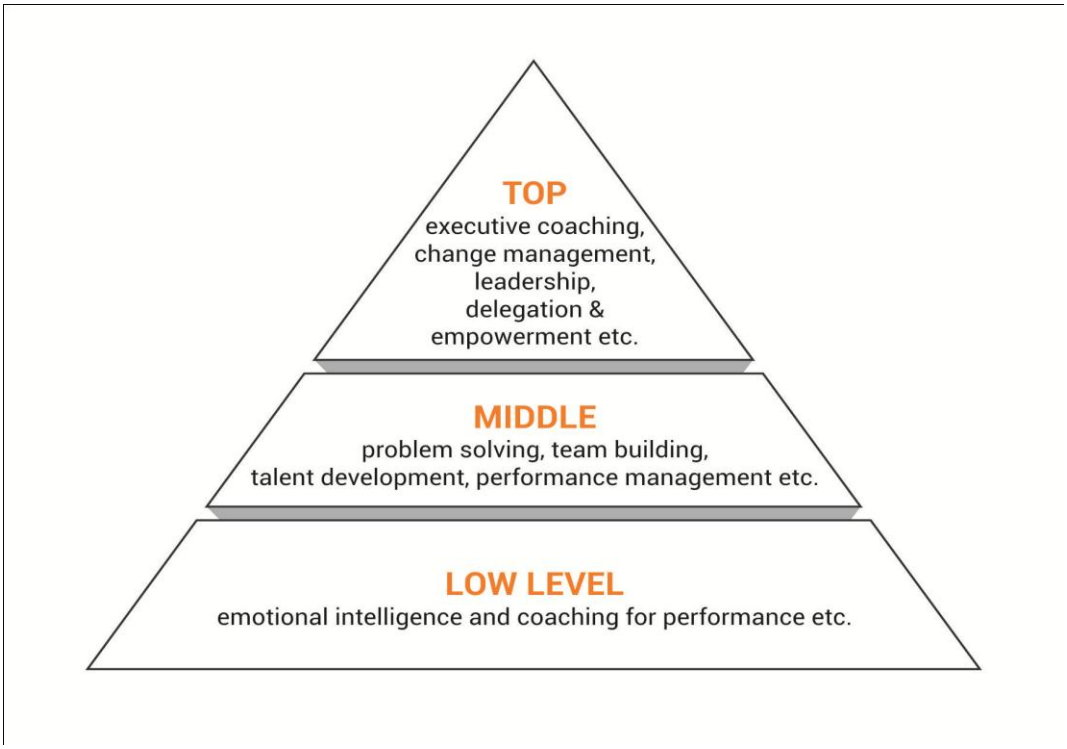


Fig 1.9 Levels in Management

Top Management

- Determines objectives and policies.
- Designs the basic operating and financial structure of an organisation.
- Provides guidance and direction.
- Lays down standards of performance.
- Maintains good public relations.

Middle Management

- Interprets and explains the policies framed by the top.
- Issues detailed instructions.
- Participates in operating decisions.
- Trains other managers.

Lower Management

- Plans day-to-day operations.
- Assigns jobs to workers.
- Provides supervision and control over work.

- Arranges material tools and equipment.
- Maintains discipline.

Table Points of distinction between managerial levels

Point of Distinction	**Top-Level Management**	**Middle Level Management**	**Lower Level Management**
Action Focus	A small group of policy makers deciding the fate of an organisation.	Act as a liaison between top and lower level people and manage activities of other managers	These managers are in direct contact with employees
Representation	Chief Executive Officer President, Chairman Managing Director, etc.	Functional Heads (Marketing Manager, Personnel Manager, etc.) and immediate subordinates	Section Head, Supervisor, First-Line manager, etc.
Nature of work	They generally spend most of their time with peers, outsiders and to a lesser extent, subordinates. A top manager's schedule is typically hectic.	Middle level managers, as compared to supervisors, are far less physically active and far more involved in paper work and meeting. Their job is less hectic, more reflective and more frustrating.	Lower level managers are generally physically active, experience request interruption, often shift back and forth between tasks and spend most of their time with subordinates and peers caring for monetary problems.

Check your progress 9

1. Top Level is also known as

a. Administrative Level. c. Operative Level.

b. Executor Level. d. First Line Managers.

2. Middle Level is also known as

a. Administrative Level. c. Operative Level.

b. Executor Level. d. First Line Managers.

1.11 Let Us Sum Up

In this unit we have learnt that management is the process of results obtained by the combined efforts of different people at various levels within an organisation.

The Management serves as a multidisciplinary mechanism having flexible principles that are not absolute.

It serves as science and art which is universally can become a profession.

It is an organised activity that carries decision making along with objectives achieved by establishing goals and utilising available resources.

Management is a science since it is concise, scientific and correct and is an art as it confines and structures the scope for use of creativity, imagination, initiative and invention.

Management is a social process as it involves responsibility for economical and effective planning along with regulation of operation of an enterprise in the fulfilling purposes.

Management involves conceiving, initiating and bringing together various elements with coordinating, actuating, integrating diverse organisational components as per viability of organisation towards pre-determined goals.

In organisations there are certain levels of management which are organised as top management, middle management and lower management.

1.12 Answers for Check Your Progress

Check your progress 1

Answers: (1-a), (2-a), (3-a)

Check your progress 2

Answers: (1-b), (2-b), (3-a), (4-a), (5-a)

Check your progress 3

Answers: (1-a), (2-a)

Check your progress 4

Answers: (1-a), (2-a)

Check your progress 5

Answers: (1-a), (2-a)

Check your progress 6

Answers: (1-a), (2-a)

Check your progress 7

Answers: (1-a), (2-a)

Check your progress 8

Answers: (1-a), (2-a)

Check your progress 9

Answers: (1-a), (2-a)

1.13 Glossary

1. **Authority -** It is the right to take action, utilize organisational resources and exact obedience from subordinates.
2. **Coordination -** Orderly arrangement of group efforts to provide unity of action in the pursuit of a common purpose.
3. **Efficiency -** Ability to use resources wisely and in a cost effective manner.
4. **Organisation chart -** a graphic representation of organisational structure.

1.14 Assignment

What do you understand by the term 'Management'? How is it different from Administration?

1.15 Activities

1. "Management is a Science and an Art." Explain.
2. Explain Managerial Skills and Role of a Manager.

1.16 Case Study

Study the nature of management of any one organisation you have visited recently. Enlist 10 functions each of the scientific and artistic approach in management functions therein.

1.17 Further Readings

1. Principles of Management, B.S. Moshal, Galgotia Publications.
2. Management Text and Cases, VSP Raoand V. Hari Krishna, published by Anurag Jain for Excel books.
3. Principles of Management, Edition 2, P. C. Tripathiand P. N. Reddy, Tata McGraw Hill Publishing Company.
4. Essentials of Management, Harold Koontz and Heinz Weihrich, Tata McGraw Hill.

UNIT 2: EVOLUTION OF MANAGEMENT THOUGHT

Unit Structure

2.0 Learning Objectives

2.1 Introduction

2.2 Schools of Management Thought

2.3 The Classical School

2.3.1 Scientific Management

2.3.2 Administrative Theory

2.4 Behavioural School

2.4.1 The Human Relations Movement

2.4.2 Behavioural Science Approach

2.5 The Management Science School

2.6 Integrating the Two Approaches

2.6.1 The Contingency Approach

2.6.2 The Systems Approach

2.7 Ouchi's Theory Z Management

2.8 Management as Profession

2.8.1 Characteristics of a Profession

2.8.2 Management as Emerging Profession

2.9 Professionalisation of Management in India

2.9.1 Traditionally Managed Sector

2.9.2 Professionally Managed Sector

2.10 Let Us Sum Up

2.11 Answers for Check Your Progress

2.12 Glossary

2.13 Assignment

2.14 Activities

2.15 Case Study

2.16 Further Readings

2.0 Learning Objectives

After learning this unit, you will be able to understand:

- Schools of Management thought.
- Behavioral Science Approach.
- Contingency and Systems Approach.
- Recent Trend for Management Approach.
- Management as Profession.
- Professionalization of Management in India.

2.1 Introduction

In the previous unit, you learned about the nature and functions of management, the concepts of management, and its functions in various fields like planning organising, directing, controlling, motivation and so on. You also learned about nature and process of management and various levels in management and roles and responsibilities of the managers in those levels.

Further now, you are going to learn about how management as a thought came to be developed. We will also discuss what is profession, how management can be considered a profession and professionalization of management in India. You will also learn about early management approaches, represented by scientific management, administrative management theory and human relations movement and modern management approaches, represented by behavioural approach, quantitative/management science approach, systems approach and contingency approach.

2.2 Schools of Management Thought

The vigilance and alacrity of considerable ancient constructions is significant to current managers. The antecedent of management considerations benefits managers with a mannerly configuration for behaviour.

In terms of duration, it is found that the most productive olden customary organisation of western civilization was Roman Catholic Church. Furthermore, management advanced consequence, as community progressed and actuated into the Industrial rebellion generation.

As seen, nowadays, the idea of management relates to mixture of long and complicated evolutionary process having four main forces such as economic, social, political-legal and technological.

There exists disagreement on types of approaches with necessary function causing them to work. There are main three approaches as prescribed by Donnelly, Gibson and Ivancevich which offered management thought as:

- The classical approach
- The behavioural approach
- The management approach

Check your progress 1

1. State Whether statements are True or False.
   a. Management can be considered a profession and professionalisation of management in India.
   b. Management has three levels.
   c. Management does not include planning.
2. Essentially, four major forces that affect management are _____ social, political-legal and technological.
   a. Economic.
   b. Cultural.
   c. Non- Economic.
   d. Government.

3. The history of management theories helps managers with a _____ for action.

   a. Process Framework.

   b. Systematic Framework.

   c. Policy Framework.

   d. Strategy Framework.

2.3 The Classical School

It is found that classical school normally cover two domains:

- lower-level management analysis.
- Comprehensive analysis of management.

2.3.1 Scientific Management

It has been identified that management science school will possess managers possessing scientific aspects of getting problems solved which relates to making decisions. Such mechanism comes out to improve productivity by way of efficient use of physical and human resources which results from contribution of five people such as:

1. Frederick W. Taylor
2. Frank and Lillian Gilbreth
3. Henry Gantt
4. Harrington Emerson



Fig 2.1 F W Taylor

1. Frederick W. Taylor (1856-1915)

Frederick Winslow Taylor is commonly called as the father of scientific management.

It has certain principles such as:

- Invent science for every workers job which will alter the rules of thumb.

- Specialised job should be need of every job.
- Make sure about good selection involving training and construction of workers.
- Planning and scheduling of the work are required.
- Established Standards related to every method and time for each task.
- Wage incentives carry internal structure of every job work.

2. Frank Gilbreth (1868-1924), Lillian Gilbreth (1878-1972)

Frank and Lillian Gilbreth are engineers engaged in producing important contributions in fields of motion and simplified work. The use of motion picture cameras, appears to be an important and economical motions related to every task which makes the reduction and up gradation of process.

3. Henry L. Gantt (1861-1919)

Henry worked towards work scheduling and control of processes. He amends the systems or organisations by way of task scheduling and reward innovation. He invented the Gannt chart which basically control and apply for scheduling.

4. Harrington Emerson (1853-1931)

Emerson worked on the principles of efficiency and he was famous for strong advocate involved in taking strict distinction among line and staff activities in organisations.

2.3.2 Administrative Theory

It is found that scientific management focused on the productivity of individual workers at the same time, the administrative theory focused on total organisation. The major contributors of such theory are:

1. Henry Fayol
2. Lyndall Urwick
3. Chester Barnard
4. Alvin Brown
5. Henry Dennison

6. Oliver Sheldon
7. Max Weber

1. Henry Fayol

Henry Fayol was notable contributors who had written book on General and Industrial Management.

He discussed 14 general principles of management such as:

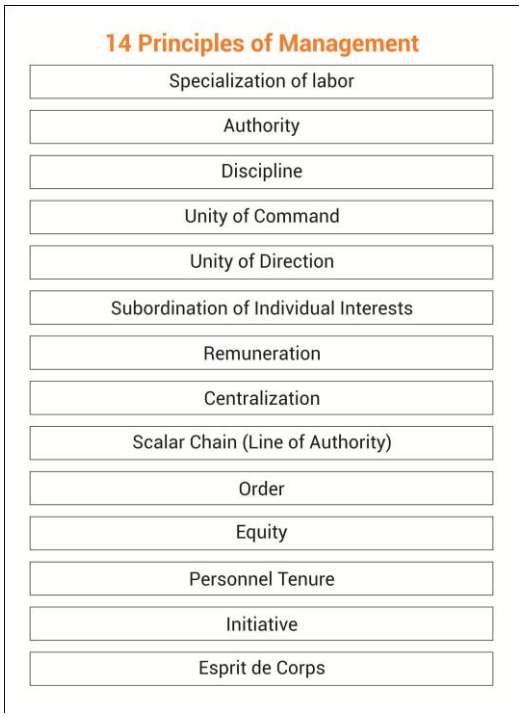


Fig 2.2 14 Principles of Management



Fig. 2.3 Henry Fayol

1. **Division of labour:** It led to increased productivity when both managerial and technical works are carried out.
2. **Authority:** Fayol explained this as right to give orders and power to correct obedience.
3. **Discipline:** It makes the employees to respect for rules which govern an organisation.
4. **Unity of command:** It says the employees get orders from superior.
5. **Unity of direction:** It explains about grouping of activities in an organisation under single head and single plan.

6. **Subordination of each interest:** Individual interest should not be put in front of interests of an organisation in total.
7. **Remuneration:** There should be carry compensation which is to be distributed against good performance.
8. **Centralisation:** Degree of adopting centralisation or decentralisation as per specific organisation with managers to retain ultimate responsibility of doing work correctly.
9. **Scalar chain:** It is an authoritative chain in an organisation which appears from top to bottom and carried out unity-of-command principle by allowing correct flow of information.
10. **Order:** To keep human and material resources at right place in right time.
11. **Equity:** It makes the employees to treat with equally possible rights.
12. **Stability of personnel:** Established firms carry stable group of employees.
13. **Initiative:** The employees are free to take initiative anytime.
14. **Esprit de corps:** The managers uplift sense of unity as an effort by way of harmony of interests.

Check your progress 2

2. Human and material resources must be in the right place at the right time.

a. Equity. c. Unity of Direction.

b. Order. d. Unity of Command.

2. Employees should be treated as equally as possible.

a. Order. c. Stability of Personnel.

b. Equity. d. Unity of Direction.

2.4 Behavioural School

It is studied that behavioural school carries a profound effect on management by covering topics like motivation, communication, leadership, organisational politics and employee behaviour. It was predicted by various writers and was contributed by:

- human relations movement
- behavioural science approach

2.4.1 The Human Relations Movement

As studied, many Harvard researchers under the guidance of Elton Mayo details on worker productivity known as Hawthorne studies during year 1924 at Western Electric Company. With this theory, human relations movement grew that suggest regarding the treatment of individual and social processes for changing the worker nature and behaviour. The impact is that the management is able to locate importance of worker's needs by finding and social satisfaction.

Further the contributors Abraham Maslow and Douglas McGregor helped in with the advance human relations movement.

2.4.2 Behavioural Science Approach

Organisational behaviour accepts that the behaviour is more complicated as compared to human relations who led to start of systematic research which draws attention on psychology, sociology, anthropology, economics and medicine.

Check your progress 3

1. Douglas McGregor advanced two beliefs for managers about human behavior.

   a. Theory B.

   b. Theory X and Theory Y

   c. Theory Z.

   d. Theory C

2. Theory which takes a relatively pessimistic and negative view of workers.

   a. Theory Y

   b. Theory X

   c. Theory Z

   d. Theory C

2.5 The Management Science School

After World War II, the management schools started growing by operational research teams of both US and UK. It is found that Churchman, Ackoff and Arnoff describe management science approach as application of scientific method with problem upcoming in operations for solving mathematical equations arises by such system.

It is compared that management science is similar to scientific management having certain characteristics features like:

- **Managerial decisions:** Basically scientific management relates to production work and efficacy of both man and machine, whereas management science shows success from planning and correct direction.
- **Mathematical models:** Mathematical model lowers managerial decision to mathematical form while decision making process simulates and appears earlier than real decision.
- **Computer applications:** With the presence of computers, there exists an emergency of management science as computer serves the backbone of science.
- **Evaluation criteria:** Evaluation of model is done on basis of correct criterias.

Check your progress 4

1. School provides managers with a scientific basis for solving problems and making decisions.

   a. Behavioural School.

   b. Management science School.

   c. Science School.

   d. None of the above.

2. MIS is

   a. Managing Information System.

   b. Management Information System.

   c. Managing Information System.

   d. Managed Information System.

2.6 Integrating the Two Approaches

Early during 25 years, the attempts have been made to get integration of various approaches to management. These are:

- systems approach
- contingency approach

2.6.1 The Contingency Approach

The theory of contingency approach was developed by Joan Woodward who worked for the influence of technology on an organisation. Woodward believed that variations in organisation structure are related to difference in production and manufacturing techniques.

According to Woodward, different technologies led to varied demands that are meet by correct structure.

Apart from many authors who worked on ides of contingency thinking, James D. Thompson worked on technology which will give feel to an organisation.

According to Thompson, organisation with experience having technological problems will be busy in similar behaviour.

2.6.2 The Systems Approach

It is found that the systems behaviour of management can be liable for analysing problems as compared to the views of school of management. According to Ludwig von Bertalanffy founder of general system theory, the view is on concept where system can be part of an organisation. . As per his view, there are five components involved in a system that are: inputs, process, outputs, feedback and environment.

It is analysed that systems behaviour is important in case of general management findings. As seen, there exist four ideas which impacts on management thinking that are concepts related to open v/s closed systems, subsystems, interdependencies, synergy as well as entropy. These are detailed as shown:

- **Open v/s closed systems:** Ludwig von Bertalanffy believed that there are exist two systems as closed and open. He explained that a closed system

does not interact with environments where as in open systems, the interaction occurs with environment. He suggested that every organisations are open systems in spite of degree of interaction.

- **Entropy:** It is a universal property of systems that has a tendency to run down and die. Such will be avoided by management system.
- **Synergy:** It shows that the total will be more than sum of individual parts. This idea is good for managers where reinforcement of work is carried out together in agreed manner.
- **Subsystems:** It is system inside another system which can be parts of system that depends on one another.

Check your progress 5

1. It is a universal property of systems and refers to the tendency to "run down

   a. Synergy. c. Subsystem.

   b. Entropy. d. Open system.

2. _____means that the whole is greater the sum of its parts.

   a. Entropy. c. Open System.

   b. Synergy. d. Closed System.

2.7 Ouchi's Theory Z Management

In recent years there appears to be two management trends which are followed by Japanese management practice which have renewed so as to get good product and service quality.

The success of Japanese companies made the management writers to examine about certain Japanese organisations. It was catered by Ouchi's Theory Z. Ouchi differentiated between the American and Japanese on seven aspects:

- Length of employment
- Mode of decision making
- Locations of responsibility
- Speed of evaluation and promotion

- Mechanism of control
- Specialization of career path
- Nature of concern of the employee



Fig 2.4 William Ouchi

As per Peter and Waterman, the excellent seller on America's top run companies follows the eight basic principles of excellence which reflect such establishment in terms of management value as well as corporate culture.

1. **Biased in action:** Good companies value action, working and implementation. They are performance driven.
2. **Closeness with customer:** Successful companies are more or less motivated by customers as per their needs and satisfaction. There is a constant need growth which means even the company needs to step up the supply. This can only happen when the company is in touch with the customer's needs.
3. **Autonomy and entrepreneurship:** The use of innovation and vitality work as a pillar for organisational structure.
4. **Productivity by people:** Successful companies encourage people to take part in activities such as production, marketing and new product invention.
5. **Hands on, value driven:** Successful companies are clear with their system value.
6. **Sticking to knitting:** Successful companies emphasise on their functioning and vision.
7. **Simple form with lean staff:** Top performing companies have simple and smart structural form and systems where less staff functions.
8. **Simultaneous losing tight properties**: Good companies' carry tight controls in related areas while loose controls of different parameters.

If the above principles are applied in companies, then such companies will tend to develop an atmosphere which boosts the entrepreneurial relations to new opportunities and changes.

Check your progress 6

1. Theory Z was given by.

a. Peter .F. Drucker. c. William .J. Stanton.

b. William Ouchi. d. F .W. Taylor.

2.8 Management as Profession

It has been a topic of debate whether management by itself can be labelled as a profession.

The word profession has been given a variety of meanings and different people attach different characteristics to it. For example, in an early definition, Carr-Saunders claims that a profession, "may perhaps be defined as an occupation based upon specialised intellectual study and training, the purpose of which is to supply skilled service or advice to others for a definite fee or salary."

2.8.1 Characteristics of a Profession

The list of characteristics that follows is extensive, but does not claim to include every characteristic that has ever been attributed to professions, nor do all of these features apply to every profession:

1. **Skill based on theoretical knowledge:** Professionals are presumed to possess extensive theoretical knowledge (e.g. architecture, medicine, law and scripture) and to retain skills based on that knowledge that they are able to apply in practice.
2. **Professional association:** Professions generally prefer to have professional bodies organised by their members, which are intended to enhance the status of their members and are carefully controlled entrance requirements.
3. **Testing of competence:** For membership of a professional body, there is a requirement to pass prescribed examinations based on mainly theoretical knowledge. These are specialised examinations targeted to get committed and dedicated individuals to work in the profession.
4. **Institutional training:** In addition to examinations, there is usually a requirement for a long period of institutionalized training where aspiring professionals acquire specified practical experience in some sort of trainee

role before being recognized as a full member of a professional body. Continuous upgrading of skills through professional development is also mandatory these days. This happens post training period. It is a continuous process and is essential for the individual and institution's growth.

5. **Licensed practitioners:** Professions seek to establish a registration or membership so that only those individuals so licensed are recognized as bona fide.

6. **Work autonomy:** Professionals tend to retain control over their work, even when they are employed outside the profession in commercial or public organisations. They also gain control over their own theoretical knowledge.

7. **Code of professional conduct or ethics:** Professional bodies usually have codes of conduct or ethics for their members and disciplinary procedures for those who infringe the rules.

8. **Self-regulation:** Professional bodies tend to insist that they should be self-regulating and independent from government. Professions tend to be policed and regulated by senior, respected practitioners and the most highly qualified members of the profession.

9. **Public service and altruism:** The earning of fees for services rendered can be defended because they are provided in the public interest, e.g. the work of doctors contributes to public health.

10. **High status and rewards:** The most successful professions achieve high status, public prestige and rewards for their members. Some of the factors included in this list contribute to such success.

11. **Indeterminacy of knowledge:** Professional knowledge contains elements that escape being mastered and communicated in the form of rules and can only be acquired through experience.

12. **Mobility:** The skill, knowledge and authority of professionals belong to the professionals as individuals, not the organisations for which they work. Professionals are, therefore, relatively mobile in employment opportunities as they can move to other employers and take their talents with them. Standardization of professional training and procedures enhances this mobility.

2.8.2 Management as an Emerging Profession

The above-mentioned points show that management possesses only certain characteristics of a profession while others are missing. Therefore, it cannot be said to be a profession, though it is emerging as a profession and the move is towards management as profession.

Reiss has classified professions into five categories in contemporary industrial society. They are as follows:

1. Old established professions founded upon the study of a branch of learning, e.g. medicine
2. New professions founded upon new disciplines, e.g. chemists, social scientists
3. Semi-professions based upon technical knowledge and practice, e.g. nurses, teachers, social workers
4. Would-be professions with familiarity with modern practices in business etc. and aspiring to achieve professional status, e.g. personnel directors, sales directors, engineers
5. Marginal professions based upon technical skill, e.g. technicians, draughtsman

It is quite clear that management fulfils several essentials of a profession; even then, it is not a full-fledged profession because:

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

Management, does not seek to control the entry in the manner as many of the old established professions do but the educational requirement of future managers may provide a similar consequence. Moreover, the professional status of management should not be viewed in the context of controlled entry. This may be against the development of management itself.

Check your progress 7

1. The word _____ has been given a variety of meanings and different people attach different characteristics to it.

   a. Employment. c. Activity.

   b. Profession. d. None of the above.

2. _____has classified professions into five categories and has suggested management as a would-be profession.

   a. Peter .F. Drucker. c. Ouchi.

   b. Reiss. d. George .R. Terry

2.9 Professionalisation of Management in India

To assess the present status of professionalization of Indian management, it is essential to conduct different studies which unfortunately have not been conducted. The research is required to find out the extent to which an Indian management has been professionalised. The basic characteristics of management as a profession are found in Indian management in varying degrees. The facilities of formal education in management, establishment of All India Management Association, growing divorce of ownership and management and formulation of a code of conduct by All India Management Association suggest that there is professionalization of management in India.

This is labelled as traditional management. These two contrasting views need further elaboration. From this point of view, the Indian management can be divided into two parts: traditionally managed sector and professionally managed sector.

2.9.1 Traditionally Managed Sector

In common terms, Indian management is described as 'family management' with 'traditional values'. The two distinguished features of family management are:

- Both ownership and control of the organisation are in the hands of the members of the family.
- Organisational objective is to maximise profit even if it necessitates exploitation of the weaker sections of the society.

This type of management maintains the control of the organisation by value system of the family and often, there is great variation between the management styles of two organisations controlled by two different families.

The mere appointment of some people with professional degrees will not necessarily lead to professionalization of management unless there is a significant transformation in the management process. In this context, L.C. Gupta, a management educationist, observes as follows:

"Professionalization will not result from hiring people having professional degrees, but will originate when professionals have required authority which they can use in taking professional decisions.

We may employ MBAs and other technocrats in the purchase and sales departments, but if buying and selling are to be done through family firms, where is the scope of professionalism? More than professional degrees, what matters is professional ethics."

Sumantra Ghoshal, a management guru, has observed as follows:

"Entrepreneurs have enjoyed the fastest growth so far but this is not sustainable because much of this growth has come at the cost of destroying value. The Indian private sector, largely dominated by family capitalism, must change and overhaul its governance structure. From feudal lordships, they must change to adopt the governance mechanisms of modern corporations."

It is an accepted fact that managers in many public sector organisations, particularly at higher levels, often greatly borrow the traits of bureaucracy, just as the top-level private sector managers carry a family or business house trait, even though they have the facade of professionalization. Many top-level public sector managers have worked, lived and imbibed in the government way of working. This seriously comes in the way of initiative, innovativeness and flexibility so essential for public sector organisations. Sometimes, civil servants, military

personnel and politicians who do not have commensurate professional competence are appointed to head public sector organisations. In such a case, one hardly expects any professionalism at the lower levels also.

Therefore, it can be suggested that in many private sector and public sector organisations, there is lack of professionalization of management. Management is a key factor in the economic development of the country and development of individual organisations, lack of professional content in it has been one of the main reasons for the unsatisfactory performance of these organisations. The technology, which has been so frequently imported, could not be put to the best possible use in the absence of commensurate professional management support.

The basic reason for lack of professional management is as follows:

- There appears to be attitudinal conservatism, which further hampers the emergence of professional management.
- Organisations in the private sector are almost always a one-man show.
- The emergence and development of public sector enterprises have put pressure on the Indian government.
- Business in India has not yet reached the level of sophistication that is the need of the hour. The Western world is far ahead of us when it comes to structure and working of a business.

2.9.2 Professionally Managed Sector

As against traditionally-managed sector, there are various organisations, both in private sector as well as in public sector, whose management is highly professionalised. There are numerous such companies like Hindustan Lever Limited, ITC Limited, British Oxygen Limited, Infosys Technologies, Wipro, Tata Iron and Steel Company, TELCO and so on in private sector and Bharat Heavy Electricals Limited, Oil and Natural Gas Commission, Indian Oil Corporation, etc. in public sector. These concerns retain deduced management graduates at diversified categories of management, interposed latest considerations of management, set organisational objectives conducive to communal expectations as well as energized their personnel to capture high category of sophisticated proficiency. The number of organisations slipping in this taxonomy continues advancing day by day. In evidence, managers in this domain can be contrasted with their counterparts in the Westin grades of employment of contemporary

management mechanisms, attitudes towards management activities as well as enduring management considerations appropriate for the nation.

The main reasons for the professionalization in this sector are as follows:

1. **International Impact:** It is an important factor which takes part in professionalization of Indian management where modern management was initiated by subsidiaries and counterparts of multinational operating in India.
2. **Professionalization as compulsion:** Despite compulsions in various management sectors, such public sectors have increased their manifold at time of planning. With the failure in beginning, nonprofessional managers working with public sector enterprises will revert from responsibility of full managerial cadre and process.
3. **Availability of trained and educated professionals:** Whereas the above two factors have created the need for professionalization, availability of trained and educated professional managers has facilitated the process of professionalization of management.

Check your progress 8

1. Indian management is described as '_____' with 'traditional values'.

a. Wealth Management.
c. Workers Management.
b. Family Management.
d. Employee Management.

2.10 Let Us Sum Up

In this unit, we have learnt that the idea of management works with long product with complex evolutionary process. It is found that there are 3 approaches to management thought that can be classical, behavioural and management.

The classical school carries lower level management analysis along with comprehensive analysis of management which is based on administrative theory.

With the study of management science school background, it is analysed that they give their managers with scientific way of solving problems and trained them to take decisions.

The behavioural school takes care of motivation, communication, leadership politics and employee behaviour.

Organisational behaviour accepts the behaviour as complicated as compared to human relations.

As per Ouchi's theory, it is believed that a hybrid management will handle all techniques from Japanese and North American management practices in the near future.

2.11 Answers for Check Your Progress

Check your progress 1

Answers: (1-b), (2-b), (3-b)

Check your progress 2

Answers: (1-a), (2-a), (3-b)

Check your progress 3

Answers: (1-b), (2-b)

Check your progress 4

Answers: (1-b), (2-b)

Check your progress 5

Answers: (1-b), (2-b)

Check your progress 6

Answers: (1-b)

Check your progress 7

Answers: (1-b), (2-b)

Check your progress 8

Answers: (1-b)

2.12 Glossary

1. **Efficiency -** Ability to use resources wisely and in a cost effective manner.
2. **Organisation chart -** A graphic representation of organisational structure
3. **Coordination -** Orderly arrangement of group efforts to provide unity of action in the pursuit of a common purpose.
4. **Management -** The attainment of organisational goals in an efficient and effective manner through planning organising, leading and controlling organisational resources.
5. **Managers -** They are the individuals charged with monitoring the workflow, integrating efforts, meeting goals and providing leadership.
6. **Planning -** It is the process of deciding in advance what is to be done, when and where it is to be done, how it is to be done and by whom.

2.13 Assignment

Identify the various schools of management thought. Explain contingency and systems approach to management. What is the recent approach to management?

2.14 Activities

What is a profession? Discuss the major characteristics of a profession. Explain management as an emerging profession.

2.15 Case Study

Express your views on management as a profession. Do you agree that Indian management is a combination of traditional management and professional management? Give reasons in support of your answer.

2.16 Further Readings

1. Principles of Management, B.S. Moshal, Galgotia Publications.
2. Management Text and Cases, VSP Raoand V. Hari Krishna, published by Anurag Jain for Excel books.
3. Principles of Management, Edition 2, P. C. Tripathiand P. N. Reddy, Tata McGraw Hill Publishing Company.

Block Summary

In this block we studied the topics nature and functions of management and evolution of management thought. The idea about complete management process along with workflow diagram will made the student to aware about how the working is performed in an organisation. All these topics have been explained in detail with the help of sufficient examples, illustrations and charts where ever it was required.

After studying this unit, students will know about management and its features and how management affects the human and physical resources. The knowledge about various management goals along with examples are explained which will help the user to work in their domain. The block explains about various management functions with necessary explanation about comparison that exists among management and administration is well compared which is really required for user. The knowledge about classical school theory with its comparison with low management level really helped the students to guess about complexity that arises in an organisation.

Block Assignment

Short Answer Questions

1. Nature of Management.
2. Levels in Management.
3. Management Process.

a. The Human Relations Movement.

b. Theory Z Management.

c. Behavioural Science Approach.

Long Answer Questions

1. Explain Management is Decision-Making.
2. Define Management and Administration on the basis of applicability.
3. Discuss how management can be considered as profession?

Enrolment No. ☐

1. How many hours did you need for studying the units?

Unit No	**1**	**2**	**3**	**4**
Nos of Hrs				

2. Please give your reactions to the following items based on your reading of the block:

Items	Excellent	Very Good	Good	Poor	Give specific example if any
Presentation Quality	☐	☐	☐	☐	_____
Language and Style	☐	☐	☐	☐	_____
Illustration used (Diagram, tables etc)	☐	☐	☐	☐	_____
Conceptual Clarity	☐	☐	☐	☐	_____
Check your progress Quest	☐	☐	☐	☐	_____
Feed back to CYP Question	☐	☐	☐	☐	_____

3. Any Other Comments

……

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……



Education is something which ought to be brought within the reach of every one.

- Dr. B. R. Ambedkar

Dr. Babasaheb Ambedkar Open University
'Jyotirmay Parisar', Opp. Shri Balaji Temple, Sarkhej-Gandhinagar Highway, Chharodi,
Ahmedabad-382 481.

PRINCIPLES OF MANAGEMENT

PGDBA-101



BLOCK 2:
PLANNING AND DECISION MAKING, ORGANIZATION AND STAFFING

Dr. Babasaheb Ambedkar Open University
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PRINCIPLES OF MANAGEMENT

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ROLE OF SELF INSTRUCTIONAL MATERIAL IN DISTANCE LEARNING

The need to plan effective instruction is imperative for a successful distance teaching repertoire. This is due to the fact that the instructional designer, the tutor, the author (s) and the student are often separated by distance and may never meet in person. This is an increasingly common scenario in distance education instruction. As much as possible, teaching by distance should stimulate the student's intellectual involvement and contain all the necessary learning instructional activities that are capable of guiding the student through the course objectives. Therefore, the course / self-instructional material are completely equipped with everything that the syllabus prescribes.

To ensure effective instruction, a number of instructional design ideas are used and these help students to acquire knowledge, intellectual skills, motor skills and necessary attitudinal changes. In this respect, students' assessment and course evaluation are incorporated in the text.

The nature of instructional activities used in distance education self-instructional materials depends on the domain of learning that they reinforce in the text, that is, the cognitive, psychomotor and affective. These are further interpreted in the acquisition of knowledge, intellectual skills and motor skills. Students may be encouraged to gain, apply and communicate (orally or in writing) the knowledge acquired. Intellectual-skills objectives may be met by designing instructions that make use of students' prior knowledge and experiences in the discourse as the foundation on which newly acquired knowledge is built.

The provision of exercises in the form of assignments, projects and tutorial feedback is necessary. Instructional activities that teach motor skills need to be graphically demonstrated and the correct practices provided during tutorials. Instructional activities for inculcating change in attitude and behavior should create interest and demonstrate need and benefits gained by adopting the required change. Information on the adoption and procedures for practice of new attitudes may then be introduced.

Teaching and learning at a distance eliminates interactive communication cues, such as pauses, intonation and gestures, associated with the face-to-face method of teaching. This is particularly so with the exclusive use of print media. Instructional activities built into the instructional repertoire provide this missing interaction between the student and the teacher. Therefore, the use of instructional activities to affect better distance teaching is not optional, but mandatory.

Our team of successful writers and authors has tried to reduce this.

Divide and to bring this Self Instructional Material as the best teaching and communication tool. Instructional activities are varied in order to assess the different facets of the domains of learning.

Distance education teaching repertoire involves extensive use of self-instructional materials, be they print or otherwise. These materials are designed to achieve certain pre-determined learning outcomes, namely goals and objectives that are contained in an instructional plan. Since the teaching process is affected over a distance, there is need to ensure that students actively participate in their learning by performing specific tasks that help them to understand the relevant concepts. Therefore, a set of exercises is built into the teaching repertoire in order to link what students and tutors do in the framework of the course outline. These could be in the form of students' assignments, a research project or a science practical exercise. Examples of instructional activities in distance education are too numerous to list. Instructional activities, when used in this context, help to motivate students, guide and measure students' performance (continuous assessment)

PREFACE

We have put in lots of hard work to make this book as user-friendly as possible, but we have not sacrificed quality. Experts were involved in preparing the materials. However, concepts are explained in easy language for you. We have included many tables and examples for easy understanding.

We sincerely hope this book will help you in every way you expect.

All the best for your studies from our team!

PRINCIPLES OF MANAGEMENT

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UNIT 2 EVOLUTION OF MANAGEMENT THOUGHT

Schools of Management Thought, Classical, Behavioural, Management Science School, Contingency and Systems approach, Ouchi's Theory Z, Management as Profession, Professionalization of Management in India

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BLOCK 2: PLANNING AND DECISION MAKING, ORGANIZATION AND STAFFING

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Informal Organisation - Meaning, Characteristics, Importance, Limitations, difference between formal and informal organisation. Need to Add

UNIT 3 STAFFING

Staffing - Meaning, Nature, Importance, Staffing process. Manpower Planning, Recruitment, Selection, Orientation and Placement, Training, Remuneration, Performance Appraisal, Promotion and Transfer

---

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Meaning, Definition, Elements, Scope and Dimensions, Process, Importance, Strategic Decisions, SWOT Analysis

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PRINCIPLES OF MANAGEMENT

BLOCK 2: PLANNING AND DECISION MAKING, ORGANIZATION AND STAFFING

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BLOCK 2: PLANNING AND DECISION MAKING, ORGANISATION AND STAFFING

Block Introduction

Planning has number of physiognomies; goal-oriented, futuristic, intellectual process, choice and decision making which serves as the main function of the management. Organising is a process of finding and grouping work that needs to be performed, define and can establish relation. It involves integrating, coordinating and mobilizing the activities of members of group for seeking common goals. Managerial function of staffing involves manning for the organisation structure by proper and effective selection, appraisal and development of personnel to fill the roles assigned to employers/workforce.

In this block student will be explained with basic of plan and its action in planning with more on single use plan and standing plan. The idea about organising and planning with certain principles along with various functions of an organisation are highlighted. The block will impart knowledge about the nature, role and importance of staffing with process and rules associated with manpower recruitment and planning which are all well explained.

After this block, students of management will be able to know and gather knowledge about how staffing is quintessential for the smooth functioning of a company and what measures should be taken to increase productivity with similar staff.

Block Objectives

After learning this block, you will be able to understand:

- Different types of plant.
- The Principles of organising and planning.
- The Process of staffing and its importance.
- About manpower recruitment and planning.
- The characteristics of planning.

- The Principles of Organising.
- About organisation structure.
- The Basic of functional structure.
- Features of Divisional Organisation Structure.
- Necessity of Matrix Organisation Structure.
- Knowledge of Staffing and Recruitment.
- Basic of Manpower Planning.
- Need of Placement and Orientation.
- Variation in Remuneration.
- Basic about Promotion.

Block Structure

Unit 1: Planning and Decision Making

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UNIT 1: PLANNING AND DECISION MAKING

Unit Structure

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1.2.2 Features of Planning

1.2.3 Steps in Planning Process

1.2.4 Approaches to Planning

1.2.5 Principles of Planning

1.2.6 Importance of Planning

1.2.7 Types of Plans

1.2.8 Advantages and Disadvantages of Planning

1.2.9 Types of Planning

1.2.10 Management by Objective

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1.3.2 Characteristics of Decision-Making

1.3.3 The Decision-Making Process

1.3.4 Guidelines for Making Effective Decision

1.3.5 Types of Decisions

1.4 Let Us Sum Up

1.5 Answers for Check Your Progress

1.6 Glossary

1.7 Assignment

1.8 Activities

1.9 Case Study

1.10 Further Readings

1.0 Learning Objectives

After learning this unit, you will be able to understand:

- Planning and Forecasting
- Importance of Planning
- Types of Plans
- About Decision Making
- Guidelines for making Effective Decisions

1.1 Introduction

In the previous unit, you learned about different approaches to management, i.e. how the idea of management as a thought evolved, early management approaches represented by scientific management, administrative management theory and human relations movement and modern management approaches represented by the behavioural approach, quantitative/management science approach, systems approach and finally the contingency approach. Then you learned about the nature and characteristics of the profession which included how management can be considered as a profession and professionalization of management in India.

In this unit, you will learn about the first and foremost function of management i.e. Planning and Decision Making. A proper planning is always necessary for apt decision making. Management decision making has direct connection with the value of business output.

1.2 Planning and Forecasting



Fig 1.1 Planning

In 1983, a chemistry student Ranganathan set out to sell shampoos with Rs. 15,000 in his pocket. It was a market with 200 odd companies, dominated by the 'big daddy' Hindustan Lever Ltd.

From the beginning, Ranganathan knew that many people outside the great Indian middle-class could not afford to spend sixty rupees on shampoo, but they could definitely afford a Re.1 sachet. After clearly visualising this gap, he treated the 'Chik' sachet and began selling the same on bicycle. To boost up the sales, he came out with another brilliant idea: 'Return five shampoo sachets and get one Chik sachet free.' The idea clicked in frugal rural households of Tamil Nadu. Volumes tripled, the revenues took care of distribution and the brand name stuck.

The liberalisation measures of 1990s helped him grab every opportunity to expand his market to every nook and corner of India. He began advertising first on regional satellite channels and consolidated his brands - Chik, Nyle (herbal shampoo), and the ever popular Fairever fairness cream - in the southern markets before launching them nationally.

Now, CavinKare Group (a synonym of beauty and grace in Tamil literature) has crossed a turnover of 8819 million INR in 2009-2010 with employee strength of 1520, on an all India network of 1300 Stockists catering to about 25 lakh outlets nationally.

In a market dominated by multinationals, Ranganathan created his own space through careful, elaborate planning of what prompts buyers to go after a

product. In a capital-hungry, labour-surplus market, he found the answer. Find a novel cost-effective product and position it in such a way that cannot be easily challenged. This simple chemistry student has already taught some great marketing lessons to multinationals and has proved that even small firms can grow and prosper in a tough environment if they are able to exploit their unique ideas (strengths) through proactive thinking and careful planning.

Today, CavinKare, having established a firm foothold in the national market, is increasing its popularity in the international arena. A dedicated Research and Development centre, equipped with the latest equipment and technologies, constantly supports the various divisions of this company in their endeavour. The Company, which primarily relied on contract manufacturing for many years, has now set up its own world-class plant at Haridwar to cater to the demand of both domestic and international market.

Planning: Deciding in advance what to do, how to do it, when to do it and who is to do it.

1.2.1 Meaning and Definition of Planning

Successful managers try to envisage the problems before they turn into emergencies. As pointed out by Terry, "successful managers deal with foreseen problems and unsuccessful manager's struggle with unforeseen problems. The difference lies in planning."

Manager's best owed with responsibility of achieving definite targets do not waste time waiting for future. Instead they carve the future through a creative collaboration of thoughts by removing present difficulties, anticipating future problems, changing the goals to suit the internal and external changes, experiment with creative ideas and take the initiative, attempting 'to shape the future and create a more desirable environment.

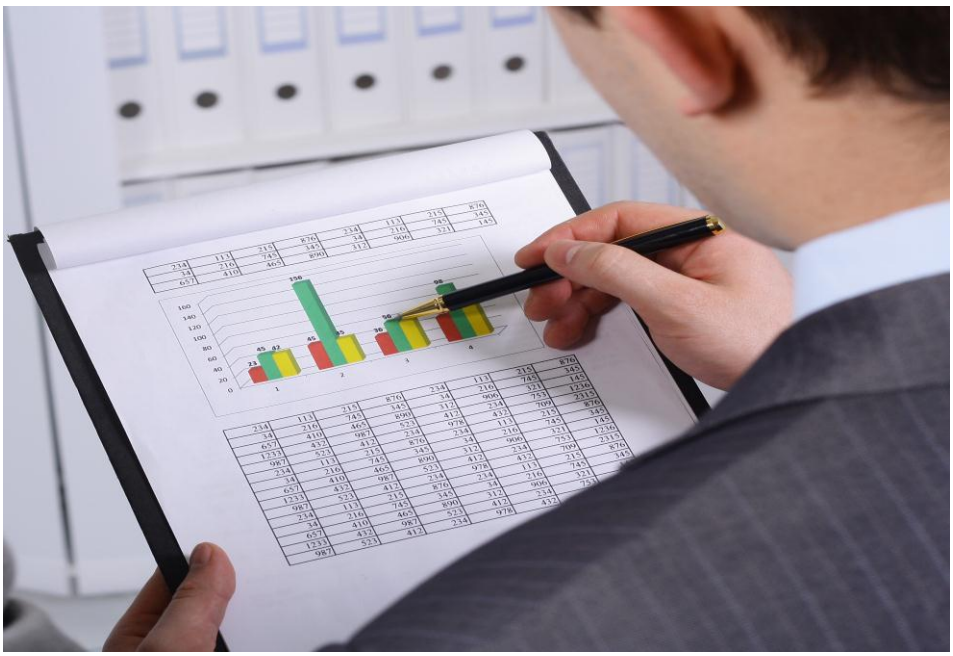


Fig 1.2 Planning and Forecasting

A plan is a forecast for accomplishment. It is a prearranged course of action for tomorrow's activity. In other words, to plan is to prepare a blue print for future action, to bring about specific results at a specific cost in a specific period. Management thinkers have defined the term in two ways:

Based on futurity:

- Planning is a trap laid down to capture the future. (Allen)
- Planning is deciding in advance what is to be done in future. (Koontz).
- Planning is informed anticipation of future. (Haimann)
- Planning is 'anticipatory' decision-making. (R.L, Ackoff)

Based on thinking:

- Planning is a thinking process, an organised foresight, a vision based on fact and experience that is required for intelligent action. (Alford and Beatt)
- Planning is deciding in advance what to do, how to do it, when to do it and who is to do it. (Koontz and O'Donnell)

A plan is a specific, documented intention consisting of an objective and an action statement. The objective portion is the end and the action statements represent means to that end. Stated another way, objectives give management

targets to shoot at, whereas action statements provide the arrows for hitting the targets. Properly conceived plans give a fair idea of how things are to work out.

1.2.2 Features of Planning

Planning has a number of characteristics:

- **Planning is goal-oriented.**
  - Planning is the core of business.
  - Goals established should be worked out to make.
  - Planning locates action which leads to goals quickly and economically.
  - Planning shows a sense of direction to various activities.
- **Planning is looking ahead.**
  - It is done for future.
  - It requires peeping in future, analyzing it and predicting it.
  - It is based on forecasting.
  - It is a synthesis of forecast.
  - It is a mental predisposition for things to happen in future.
- **Planning is an intellectual process.**
  - It is a mental exercise which includes lucrative thinking, judgment and imagination.
  - It involves not mere guesswork but rotational thinking.
  - It depends on goals, facts and considered estimates.
- **Planning involves choice and informed decision-making.**
  - It basically involves selecting from various alternatives.
  - It is not applicable in single course of action as it attains no choice.
  - The decision-making involves an integral part of planning.
  - It gives more options to managers to select the best as per needs.
  - It basically involves selecting from various alternatives.

- It is not applicable in single course of action as it attains no choice.
- The decision-making involves an integral part of planning.
- It gives more options to managers to select the best as per needs.

- **Planning is the primary function of management / Primacy of Planning**
  - It lays the foundation for other functions of management.
  - It serves as guide for organizing, staffing, directing and controlling.
  - It carries complete functions of management inside a framework.
  - It is the main function of management.
- **Planning is a continuous process.**
  - It serves as never-ending process due to dynamic business environment.
  - It is prepared for particular time and is subject to revaluation and review.
  - It remains continuous.
- **Planning is all-pervasive.**
  - It is needed at every level of management and everywhere in enterprise.
  - It varies with scope of work.
  - Top level involves in planning, middle level involves in departmental plans while lower level will implement the same plan.
- **Planning is designed for efficiency.**
  - It leads to complete objectives at lowest cost.
  - It avoids wastage of resources and ensures good use of resources.
  - It is worth or useless till it results in value of cost which occurs.
  - It results in saving time, effort and money.
  - It leads to correct use of men, money, materials, methods and machines.

- **Planning is Flexible.**
    - It should give enough room to cope with changes occurs with customer demand, competition, government policies, etc.
    - The original plan should keep on updating if any circumstance for change occurs.

1.2.3 Steps in Planning Process

Steps in Planning Function

Planning function of management involves the following steps:

- **Establishment of objectives**
    - The objective of planning is to follow a logically straight approach.
    - Planning should begin with setting up of goals and objectives.
    - The objectives should carry a base for doing various activities with certain direction of efforts.
    - An objective will stress on managers attention on particular result to get executed.
    - Another idea of objectives is to display clear, precise and straight meaning.
    - Objectives should be explained with clear quantitative terms.
    - The goals of objectives should be explained clearly in qualitative terms.
    - Objective should be practical, clear, adaptable, workable and achievable.
- **Establishment of Planning Premises**
    - It is an assumption of events which could happen in future.
    - It is the start of planning process.
    - It relates to finding a trend which deflects from real plans.
    - It locates the hindrances which appear in business at particular course of operations.

- It concerns with taking particular steps which broadly avoids hindrances.
- It can be internal or external which covers capital investment policy, management labour relations and socio- economic and economical changes.
- In this you can control internal premises whereas external premises cannot be controlled.

- **Choice of alternative course of action**
  - In case of forecasts and premises, various alternative actions can be considered.
  - It can be calculated based on pros and cons under light of resources present and need of organisation.
  - It examines merits, demerits and consequences of every alternative before making any selection.
  - Once objective and scientific evaluation is done, then the correct option is selected.
  - Planners with the help of quantitative techniques will be able to verify the stability of such alternative.
- **Formulation of derivative plans**
  - It is the secondary plans that are responsible for giving any help to achievement of main plan.
  - This plan moves from the main plan which will support and speed up the success of the main plans.
  - It covers policies, procedures, rules, programme, budgets, schedules, etc.
  - It shows time schedule as well as series of achieving different tasks.
- **Securing Co-operation**
  - Once the plan has designed, then it is advisable to take people into confidence who are linked with it.

- The idea of taking subordinates into confidence as get motivation and the organisation receives valuable suggestions with the idea to enhance it further.

- **Follow up/Appraisal of plans**
  - Once the action is decided, now it will be put into practice.
  - After implementation of particular plan, it is advisable to judge its performance.
  - The judgment is based on feedback or information from various departments or concerned people.
  - With this, the management can take correct deviations or can modify the plan.
  - All these make a link among planning and controlling function.

1.2.4 Approaches to Planning

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

1. **Top-down approach:** In most family-owned enterprises, authority and responsibility for planning is centralized at the top rung. The top management does approximately 60% of the job which means it defines the mission, lays down strategies, and specific action plans to achieve the stated goals and then pass on to the people working at lower level for execution.
2. **Bottom-up approach:** There are two kinds of people: Thinkers and Doers. Both are equally important. Thinking and doing aspects in the planning process are two sides of the same coin. Hence, if lower level managers are drawn into the preparation and implementation of plans, their loyalty and commitment would go up automatically.
3. **Composite approach**: In this approach, a middle path is chosen to facilitate the smooth implementation of the plans. Here the top management offers guidelines, sees boundaries and encourage the middle and lower level executives to come out with tentative plan.

4. **Team approach**: In this, the job of planning is assigned to a team of managers having requisite experience in various functional areas. They prepare the draft plans, taking internal as well as external factors into account. The tentative plans are forwarded to the top management for approval.

1.2.5 Principles of Planning

To be useful, planning should try to incorporate some of the time-tested and inter-related principles, beautifully summed up by Koontz thus:

1. **Principle of contribution to objectives**: Every plan should help in the achievement of organisational objectives.

2 **Principle of primacy of planning**: Planning precedes all other managerial functions. It is the first and the foremost function to be followed in the process of management.

3. **Principle of pervasiveness of planning**: Planning is an all-pervasive function. It is important to all managers regardless of their level in the organisation.

4. **Principle of flexibility**: By flexibility of a plan, we need to highlight its ability to switch gears, change direction to adapt to changing situations without unnecessary cost (ability to vary product mix, shift marketing effort geographically, raise additional funds on favorable terms, reshuffle and relocate personnel quickly, change organisation structure etc. are all included in this exercise).

5. **Principle of periodicity**: Plans should be integrated and interconnected in such a way as to achieve the stated objectives economically and efficiently. A manager should review events and expectations regularly, refine and redraw the plan and keep it on track.

6. **Principle of planning premises**: Every plan is based on carefully considered assumptions, known as planning premises. "The more the individuals charged with planning, understand and agree "to utilize consistent planning premises, the more coordinated enterprise planning will be."

7. **Principle of limiting factor**: While choosing an appropriate course of action among different alternatives, the limiting or critical factor (such as money, manpower, machinery, materials, management) should be recognized and given due weightage. When ignored, the critical factor would seriously affect the process of planning and make it impossible to achieve goals.

1.2.6 Importance of Planning

- **Planning facilitates management by objectives.**
  - Planning starts with finding of an objective.
  - It shows the reason for starting different activities.
  - With this, the objective becomes clear and particular.
  - With planning, an employee will be more focused towards objectives and goals.
  - There will be no path, if there is no planning.
- **Planning minimizes uncertainties.**
  - In business, there occur lots of uncertainties.
  - Because of such uncertainties, there occurs risk factor in every business.
  - With planning, the uncertainties can be lowered as it anticipates any future occurrences.
  - Since future cannot be predicted 100%, so with the help of planning, the management will come to know about future activities.
- **Planning facilitates co-ordination.**
  - It is seen that planning moves around organisational goals.
  - In this, all activities are aimed at common goals.
  - There is a combined effort all the way in an enterprise in departments and groups.
  - It keeps away from replication of efforts which results in good co-ordination.

- It solves the problems related to work performance which aims as altering the same.

- **Planning improves employee's morale.**
  - With planning, an atmosphere of order and discipline originates that takes it as a serious aspect.
  - Through planning employees will come to know what is required from them which results in obtaining conformity.

- **Planning helps in achieving economy.**
  - Good planning results in safer economy as it leads to allocation of resources.
  - It makes admissible for correct use of resources for economic operations.
  - There will no wastage of resources if choosing correct use will can add to objectives of an enterprise.

- **Planning facilitates controlling.**
  - With planning it is possible to proceed with fixed planned goals and standards of presentation.
  - The basic of controlling is provided.
  - An operative system of controlling is unmanageable without presence of good thought plans.

- **Planning provides competitive edge.**
  - Planning uses change in work methods, quality, quantity designs, extension of work, redefining of goals etc.
  - The forecasting will secure the future of an enterprise and at the same time calculate the future motives of competitors.

- **Planning encourages innovations.**
  - With planning process, managers will be able to suggest ways and different means in order to improve performance.
  - It is the decision making function which accommodates creative thinking and imagination which shows innovative methods and growth operations of an enterprise.

1.2.7 Types of Plans

The network of various plans facilitates and guides the decision-making and actions on the part of managers.

Knowledge regarding single use and standing plan, appreciating the distinction between policies and strategies, policies and procedures and objective and strategy is very important for a manager before he starts the process of planning.

To provide guidance to the managers to make decisions, take action and solve problems, various plans are drawn up. These plans help the managers in managing day-to-day affairs, exploiting resources of organisation to good effect efficiently and in regulating the work behaviour of subordinates. Some of the plans do provide unifying and consistent base for managerial decision and action. These may be grouped into single use plan and standing plans.

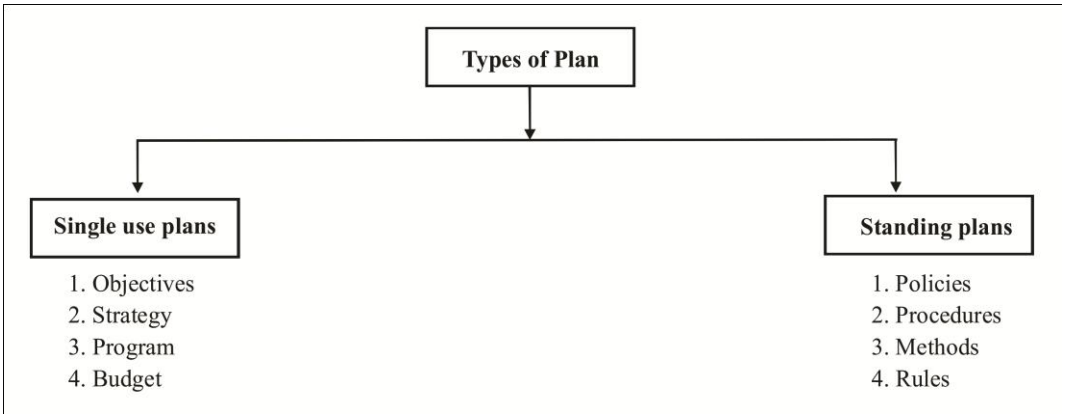


Fig 1.3 Types of Plans

1. Single Use Plans

- **Objective:** Future destination or desirable undertakings.
- **Strategy:** Course of action developed by relating strengths and weaknesses of an organisation with opportunities and threats arising out of a mutable environment.
- **Programme:** A network of policies procedures, rules and budgets designed to meet specific situations and all other needful actions mandatory for implementing a given course of action is included in this phase.

- **Budget:** This is a numerical expression of plan in terms of expected revenue and expenditure over a given period of time.

2. Standing Plans

- **Policies:** General statement that guides decision-making.
- **Procedure:** Administrative action guide, which sets the chronological sequence for action.
- **Method:** Detailed manner in which a specific activity will be performed.
- **Rules:** Directives for regulating and controlling the working behaviour of the employees.

1.2.8 Advantages and Disadvantages of Planning

Advantages

- Planning forces the manager to generate a blueprint of line of action for doing objectives.
- With planning, there exists order and reasonableness in an organisation.
- It encourages the employees to deliver best which led to earning of reward.
- This will develop healthy attitude in work, which further boost the morale and efficiency of employees.
- It leads to pre-determined goals that will helped to compare actual performance.
- It is seen that planning and controlling are opposite sides of a coin.
- With planning, best use of resources, good quality production and aggressive strength of enterprise can be enhanced.

Disadvantages

- With planning the administration becomes inflexible.
- It requires progressive policies, procedures and programmes.
- It is circumscribed to individual freedom.
- It is restricted to individual interests not for an enterprise.
- Due to assemblage of data, it is a time consuming process.

- It does not work at time of emergency or crisis when faster decisions are needed.
- Planning depends on thought which is not accurate as a result of future stability.
- Planning is not cost effective as lot of time and money spends on collection, analysis and evaluation of information.

1.2.9 Types of Planning

There are four types planning which are:

- Operational Planning
- Intermediate Planning
- Contingency Planning
- Strategic Planning

Operational Planning

An operational planning is a diminutive variety planning which works with daily maintenance activities that are completed at particular unit or a departmental level that will be operated in the overall strategic planning.

The basic steps involved in operational planning involve:

- Setting up of goals and objectives
- Setting priorities
- Explain with assumptions
- Review all if required
- Create main and back-up plans
- Workout with the plans
- Establish a control system with follow up on development

Intermediate Planning

Intermediate planning principally involves time perspective that can be from one year to five years. Since the time duration is unclear with longer duration plans, intermediate plans are normally the main objective in many organisations. It is seen that intermediate planning are normally worked on and created by top managers who work in coordination with middle managers.

Contingency Planning

Contingency Planning is related to certain activities that are persuaded to make sure about proper and direct follow-up steps that will be taken care by management as well as workers on emergency. The main motto of Contingency Planning is to make sure about:

- containment of damage or loss of personnel and property
- continuity of key operations of organisation

Strategic Planning

Following are the steps involved in preparing contingency plan which are:

- To maintain business operations
- Define time periods
- Identify the trigger
- Keep the plan simple
- Consider related resource restrictions
- Identify everyone's needs
- Define success
- Include contingency plans in standard operating procedures
- Manage your risks
- Identify operational inefficiencies

1.2.10 Management by Objective

It is a type of management which is popular and result oriented technique for any organisation. It is a systematic and organized way which focuses on achievement of goals. It allows management to alter organisation learning to be more result oriented.

It has certain objectives for employees as:

- In this the management dumps the organisational goals and gives chunks to senior managers.
- It is the work of senior managers to obtain objectives for achieve as per organisational goals.
- It chunks down operational management goals and find activities needed for getting such objectives.
- After giving objectives and activities, management releases input to find objectives in a particular time with certain tracking features.
- In this all objectives are tracked and certain feedbacks related to objective were delivered to objective owner.

Check your progress 1

1. General statements that guides decision making –

   a. policies

   b. procedure

   c. method

   d. rules

2. Detailed manner in which a specific activity will be performed –

   a. method

   b. rules

   c. procedures

   d. policies

3. Which among the following is correct in terms of planning?

   a. It improves employee's morale

   b. It increases uncertainties

   c. It makes the objectives confusing

   d. It lowers the economy

4. Which principle describes first and foremost function that be followed in case of process of management?

   a. Principle of contribution to objectives

   b. Principle of primacy of planning

   c. Principle of pervasiveness of planning

   d. Principle of flexibility

1.3 Decision Making

Pepsi-Cola's Dilemma

Many years ago, several reports surfaced stating that syringes and hypodermic needles had been found in Pepsi cans. It was a challenging problem for Pepsi-Cola's executives. Could needles have been put in Pepsi at the canning plants or were the reports a hoax?

The information was unclear and fast changing, time was running out and the executives had to resolve the issue speedily. Recalling the product meant danger for the company. However, there was no evidence produced against the company as yet. A recall would have been very costly and the company would have lost the trust of customers. The executives, after carefully analysing the facts, realised that syringes could not go into un-opened cans of Pepsi. Instead of going for a recall, the executives went on a massive public relations and education campaign.

Nationwide ad campaigns explained, "How implausible it was that syringes could have been put into Pepsi cans at the plants." They also assured consumers that there had been no injuries and not a single confirmed case of a needle found in an unopened can of Pepsi had been reported. By responding quickly and openly to public fears, Pepsi weathered the syringe-scare crisis with little damage.

Pepsi managers made the right decision, believing, based on careful internal analysis, that needle could not possibly have been put into can of Pepsi at the plants. However, it was a decision that could have backfired, if the company would have failed in its attempts to convince consumers that Pepsi products were truly safe.

3.3.1 Meaning of Decision Making

Decision-making can be considered as the cognitive process resulting in the selection of a course of action among several available alternatives. It is found that all decision making process will generate a final choice where the output can be perceived as an opinion.

Precisely, decision making relates to the study of discovery and selection of various alternatives which depends on values and choice of a decision maker. Further, decision making shows an option that is taken care of where the manager could simply narrow down on two factors:

- Highest possibility of success
- Excellent match of goals, desires, lifestyle with values.

In the decision making process, an uncertainty will be lower and doubt related to alternatives will make a good choice.



Fig 1.4 Decision Making

The above explanation focuses on the information gathering functions which results for making decision. In such cases, the uncertainty will be lowered instead of eliminated. Under such situations, fewer decisions are made with

complete confirmation as entire knowledge of all alternatives is rarely feasible. So all decision uses a certain level of risk some higher than the rest. If there is no uncertainty, you do not have a decision; you have an algorithm- a set of steps or a recipe that is followed to bring about a fixed result.

1.3.2 Characteristics of Decision-Making

The important characteristics of decision-making may be listed thus:

- **Goal-oriented:** Decision-making is a goal-oriented process. Decisions are usually prepared to attain some purpose or goal. The intention is to move towards some anticipated state.
- **Alternative:** A decision should be viewed as 'a point reached in a stream of action.' It is characterized by two activities- search and choice. The manager searches for opportunities, to arrive at decisions and for alternative solutions, so that action may take place. Selecting an alternative and abiding by it leads to decision making. Thus, an alternative is found fit to solve a particular problem. When no alternatives exist, the manager does not need to arrive at a decision. When uncertainty concerning a particular outcome is confronted, the manager has no choice but to put on his decision making hat.
- **Analytical-Intellectual:** Decision-making is not only an intellectual process but also an intuitive one. It involves conscious and unconscious aspects. Part of it can be learned, but part of it depends upon the personal characteristics of the decision maker.
- **Dynamic Process:** Decision-making is characterized as a process, rather than as one static entity. It is a process of using inputs effectively in the solution of selected problems and the creation of outputs that have utility. Moreover, it is a process concerned with 'identifying worthwhile things to do' in a dynamic setting.
- **Pervasive Function:** Decision-making permeates all management and covers every part of an enterprise. Decision-making is the crux of a manager's job. Everything that the manager does is backed by the power of decision – making.

- **Continuous Activity:** The life of a manager is a perpetual choice-making activity. He decides things as per the gravity of the situation on a continual and regular basis. It is not a one shot deal.
- **Commitment of Time, Effort and Money:** Decision-making implies commitment of time, effort and money. The commitment may be short term or long-term, depending on the type of decision (e.g. strategic, tactical or operating). Once a decision is made, the organisation moves in a specific direction in order to achieve the goals.
- **Human and Social Process:** Decision-making is a human and social process involving intellectual abilities, intuition and judgment. The human as well as social impacts of a decision are usually taken into account while making the choice from several alternatives.

  For example, in a labour-surplus, capital-hungry country like India, managers cannot afford to suddenly shut down plants, lop off divisions and lay off thousands of workers in the face of intense competition.
- **Integral Part of Planning:** As Koontz indicated, 'decision making is the core of planning.' Both are intellectual processes, demanding discretion and judgment. Both aim at achieving goals. Both are situational in nature. Both involve choice among-alternative courses of action. Both are based on forecasts and assumptions and about future risk and uncertainty.

1.3.3 The Decision-Making Process

Making a good decision is a difficult exercise. It is the product of deliberation, evaluation and thought. To make good decisions, managers should invariably follow a sequential set of steps as shown in this figure.

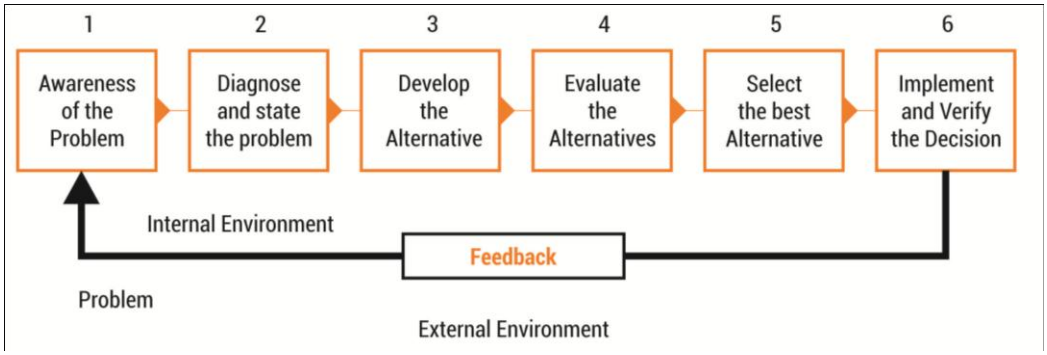


Fig 1.5 Decision making process

1. Awareness of the problem

The first step in the decision-making process is recognizing the problem. The manager should be vigilant enough to know that a problem exists and that it is important enough for managerial action. Problems generally arise because of disparity between what is and what should be. To identify the gaps between the current and desired state of affairs, managers should look for problems that need solving. They must look for occasions to arrive at decisions. The existence of a problem thus steps up the need for decision making.

In order to recognize problems, a manager is expected to monitor the decision-making environment, understand the possible causes and try to define the real problem carefully.

2. Diagnose and state the problem

A successful manager must have the ability to weed out the wheat from the chaff before deciding on a specific course of action. Once aware of a problem, he must state the real problem. He must try to solve the problem, not just note down the symptoms. Quite often, managers waste time developing solutions to the wrong problem. This is because opportunities and problems in the environment do not surface so easily.

Some questions that you need to ask include:

- What is the problem? What is the difference between what is and what should be?
- Which problems should be solved?
- What is the real cause of the problem?

To avoid the danger of prescribing a wrong antidote for the organisation, the manager should consider all aspects of the issue and the decision environment properly. For example, a high employee turnover in an organisation may be due to low salaries, poor working conditions, tight supervision, poor scheduling, dissatisfaction with the jobs etc. The manager should analyses all these causes thoroughly before defining the real problem. An attitude survey may be undertaken to find out why employees are leaving the organisation. This would give an insight into what are the unknown issues left unresolved.

3. Develop the alternative

Quite often, executives try to take up the first feasible option. The statement of the problem in clear, measurable terms enables executives to develop alternatives.

The capability to expound alternatives is as important as making a right decision when selecting among alternatives. Ingenuity, research and creative imagination are required to make sure that the best alternatives are considered before a course of action is selected.

4. Evaluate the alternatives

In this step, the decision maker attempts to summarise the advantages and disadvantages of each alternative. The consequences if any, of each alternative must also be considered. Sometimes, the alternatives developed may meet internal demands but may fail to meet environmental conditions. In such cases, a manager may be forced to make a 'less than optimal-decision.'

The primary objective of evaluation is not to find out one magic solution but to find out a workable solution that would help to eliminate the problem for good. The attempt is made chiefly to limit the alternatives to a manageable and economically feasible number.

5. Select the best alternative

In this step, the decision maker selects the alternative that will maximise the results in terms of existing objectives.

Fortunately, Peter Drucker has offered the following criteria for making the right choice among available alternatives:

- **The risk:** The manager always plays the game of calculated risks as he has to weigh the risks of each course of action against the expected gains.
- **Economy of effort:** The alternative that will give the greatest output for the least inputs in terms of material and human resources is obviously the best one.
- **Timing:** If the situation has great urgency, the best alternative is the one that the decision maker finds fit.

- **Limitation of resources**: Physical, financial and human resources impose a limit on the choice of selection. If adequate resources are not currently available, the decision should be deferred.

6. Implement and verify the decision

After making a decision, the manager must implement it. He must see whether it has worked out or not in practicality. In other words, he must seek feedback regarding the effectiveness of the implemented solutions.

1.3.4 Guidelines for Making Effective Decision

This can be done if following factors are taken into consideration:

- **Categorical Interpretation**: At the very outset, it may be emphasized that logical decisions can be made if the real problem is interpreted and identified with in depth study and observation.
- **Application of Limiting Factor**: In choosing from among alternatives, the more a manager recognizes and solves for those factors, which are limiting and critical to the attainment of desired objectives, the more clearly and accurately he can select the most desirable alternative.
- **Adequate Information**: Information is the lifeblood of an organisation because all conclusions are based on this. The more the quantity of reliable information, higher is the validity of decision.
- **Considering Others' Views**: While arriving at a decision, it is desirable that all alternatives are considered before arriving at a decision.
- **Timeliness**: A decision, to be effective, must be made at proper time. A delay in decision-making may result into loss of opportunities in this fast-changing environment.

1.3.5 Types of Decision

There are basically 3 types of decisions, that are-

1. **Strategic decisions**: are big choices of identity and direction. Who are we? Where are we heading? These decisions are often complex and multi-

dimensional. They may involve large sums of money, have a long-term impact and are usually taken by senior management.

2. **Tactical decisions: These decisions** are about how to manage performance to achieve the strategy. What resources are needed? What is the timescale? These decisions are idiosyncratic but within clearer boundaries. They may involve important resources, have medium-term implications and may be taken by senior or middle managers.

3. **Operational decisions:** are more routine and follow known rules. How many? To what specification? These decisions involve more limited resources, have a shorter-term application and can be taken by middle or first line managers.

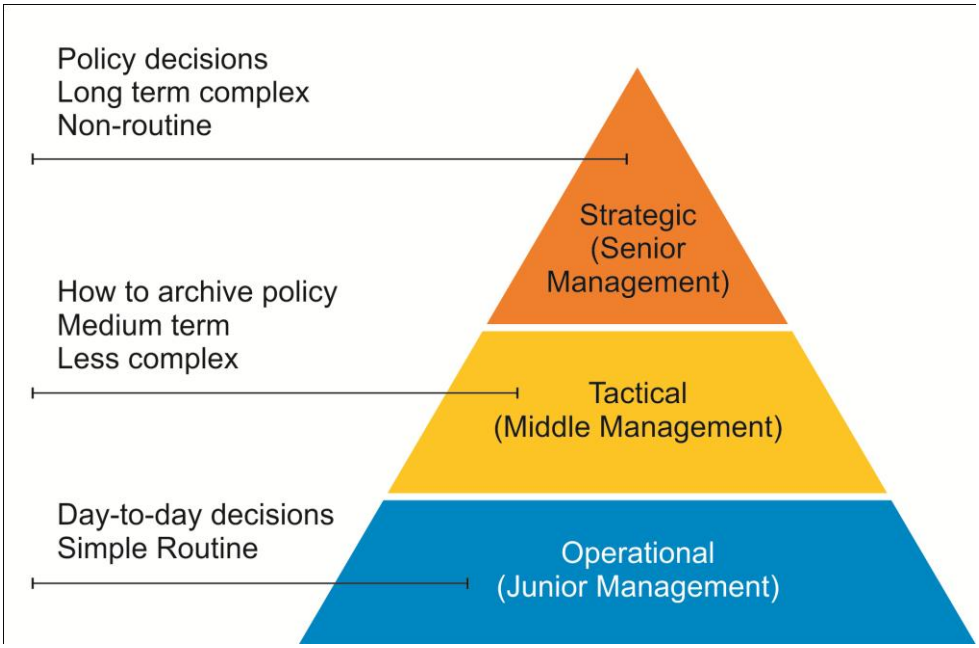


Fig 1.6 Types of decisions

Check your progress 2

1. Which among the following is not a characteristic of decision making?

   a. It is a goal oriented process.

   b. It is viewed as a point reached in a stream of action.

   c. It is an intellectual cum intuitive process.

   d. It is related to static entity and not a process.

2. Decision making implies to commitment of:

a. time

b. effort

c. money

d. all

1.4 Let Us Sum Up

In this unit we have learnt, that a plan is a forecast for accomplishment which is a predetermined course of action which produces a scheme for future action in order to bring specified results at particular cost in a period.

It is seen that planning has a number of characteristics such as goal-oriented, futuristic, intellectual process, choice and decision making and serves as the main function of the management.

It is analysed that planning is a continuous all pervasive, flexible and designed for efficiency process which involves different steps in establishing objectives. In these plans, managers have certain approaches such as Top-down, Bottom-up, Composite and Team approach.

It is studied that there exists two types of Plans which is Single Use Plans having Objective, Strategy, Programme, Budget and second is Standing Plans having Policies, Procedure, Method and Rules.

Planning aids an organisation to give it a direction provide a unifying framework, economic and reduces uncertainty. It facilitates decision making, encourages innovation, and improves work morale and facilities control.

It is seen that a decision making process will include various steps such as awareness of problem, accurate diagnosis and development of feasible alternatives.

1.5 Answers for Check Your Progress

Check your progress 1

Answers: (1-a), (2-a), (3-a), (4-b)

Check your progress 2

Answers: (1-d), (2-d)

1.6 Glossary

1 **Planning -** It is the process of deciding in advance what is to be done, when and where it is to be done, how it is to be done and by whom.

1.7 Assignment

Define planning. What are the steps involved in planning?

1.8 Activities

Explain approaches to planning. What are the principles of planning?

1.9 Case Study

Are You a Good Planner? Planning is an important skill for managers. Using a hypothetical situation and the information given above, analyses yourself as a good planner. Prepare a report on the same.

Planning and Forecasting

Banks plan loan rate freeze to cash in on festival demand

MUMBAI: Several banks, which were earlier planning to raise their home loan rates in October, were considering deferring such plans, keeping in mind the holiday season ahead when demand for such loans is expected to soar.

After the Reserve Bank of India revised its policy rates in mid-September, several banks said they would consider increasing their lending rates in October when the base rate, on which loans are priced, came up for review.

However, on festivals most banks see a huge demand in personal, car and home loans, as it is considered as an auspicious time for purchasing homes or other assets. Discounts are offered in the form of a waiver in processing fees and lower rates for a limited period.

"Banks may not hike home rates immediately since sales are expected to pick up soon after the PitrPakshais over," said Oriental Bank of Commerce CMD T.Y. Prabhu. During PitrPaksha, which is related to post-death rites performed by Hindus, many people consider it inauspicious and choose not to take any major investment decisions.

Although the festival season was close, banks were under pressure to raise lending rates in October as their cost of funds have gone up by 50 to 100 basis points during the last quarter. Interest rates on bulk deposits and certificate of deposits had crossed 8% for one year compared with 7% a few months ago. Mr. Prabhu said if banks are under pressure to raise lending rates, they may raise the base rate but simultaneously narrow the spread between the base rate and home loan rates. Banks have pegged their base rate in the range of 7.50% to 8%.

The special home loan scheme of India's largest bank, State Bank of India, is due to close on September 30, but its officials say the bank is most likely to extend the scheme for another quarter to woo customers in the festive season. SBI offers a fixed rate of interest of 8% in the first year, 9% in the second and third year, after which the loan is priced on a floating rate basis.

Punjab National Bank, the second-largest bank, too has come out with a festive offer on home loans marked by a fixed rate of interest of 8.5% for the first three years and subsequently linked to prevailing floating rates.

Last week, Corporation Bank introduced a special home loan and vehicle loan scheme, known as grand festival offer, wherein for loans up to `30 lakh, the lender will offer it at base rate of 7.75% in the first year and 50 bps above the base rate for second and 8.25% in the third year. The bank will charge 0.25% more if the loan is above `30 lakh. "So far, demand for home loan has not been very encouraging, although we are better than the peers. But with this offer, we expect to deploy `1,000 crore," said S.M. Swati, General Manager-In-Charge of Retail Lending at Corporation Bank.

1.10 Further Readings

1. Principles of Management, B.S. Moshal, Galgotia Publications.
2. Management Text and Cases, VSP Rao and V. Hari Krishna, published by Anurag Jain for Excel books.
3. Principles of Management, Edition 2, P. C. Tripathi and P. N. Reddy, Tata McGraw Hill Publishing Company.

UNIT 2: ORGANISING AND ORGANISATION STRUCTURE

Unit Structure

2.0 Learning Objectives

2.1 Introduction

2.2 Organising Process

2.2.1 Meaning and Definition of Organising

2.2.2 Characteristics of Organising

2.2.3 Process of Organising

2.2.4 Need and Importance of Organising

2.2.5 Principles of Organising

2.2.6 Span of Management

2.3 Organizational Chart

2.3.1 Types of Organisational Chart

2.3.2 Contents of Chart

2.3.3 Uses

2.3.4 Limitations

2.3.5 Factors Affecting Organisational Chart

2.4 Organisation Structure

2.4.1 Classification of Organisational Structure

2.4.2 Line Organisation Structure

2.4.3 Line and Staff Organisation Structure

2.4.4 Functional Organisation Structure

2.4.5 Divisional Organisation Structure

2.4.6 Project Organisation Structure

2.4.7 Matrix Organisation Structure

2.4.8 Virtual Organisation

2.5 Informal Organisation

2.5.1 Meaning

2.5.2 Characteristics

2.5.3 Importance

2.5.4 Limitations

2.5.5 Difference between Formal and Informal Organisation

2.6 Let Us Sum Up

2.7 Answers for Check Your Progress

2.8 Glossary

2.9 Assignment

2.10 Activities

2.11 Case Study

2.12 Further Readings

2.0 Learning Objectives

After learning this unit, you will be able to understand:

- The Organising Process
- Need and importance of Organising Structure
- Principles of organising
- Organisational Chart and factors affecting it
- Classification of organisational structure

2.1 Introduction

In the previous unit, you studied planning and forecasting, features, steps and approaches to planning process, importance and principles of planning. Additionally, you studied the types of plans, decision-making, its characteristics, steps and guidelines for effective decision-making with adequate examples. Both the cases employed effective and timely planning and decision-making.

In this unit, you are going to study organisation as a process of management. You will study organisational principles organisational chart and organisational structures, namely line, line and staff, functional, divisional, project, matrix and virtual organisational structures.

2.2 Organising Process

Organising is the management function wherein organisational resources are allocated and responsibilities are delegated in order to accomplish long-term organisational goals. It ensures efficient use of organisational resources. It is related with building up of a framework or structure of various interrelated parts. We can say that organising is a process consisting of a series of steps by which managers create a network of authority responsibility relationship. It helps people to work together (relate to one another) for a common objective.

2.2.1 Meaning and Definition of Organising

Where two or more persons work together for achieving a common goal, their activities have to be organised. Organising is a process of integrating, coordinating and mobilising the activities of members of a group for seeking common goals. It implies establishment of working relationships, which is done by assigning activities and delegating authority.

A few definitions of organisation are given below:

"Organising is a process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing a pattern of relationship for the purpose of enabling people to work most effectively together in accomplishing objectives".-Alien

"As a process of combining the work which individuals or a group have to perform with the facilities necessary for its execution, that the duties so performed provides the best channel for the efficient, systematic, positive and coordinated application of available efforts."-Oliver

"Organising involves the establishment of an internal structure of roles, by identifying and listing the activities required to achieve the purpose of a enterprise, the grouping of these activities, the assignment of such group of activities to manager, the delegation of authority to carry out and provision for coordination of authority relationship horizontally and vertically in the organisation structure."-Koontz and O'Donnell

It is evident that the term organisation has been used as a process and as a structure. Organising a process involves many stages. When the stages are completed, a formal structure comes into existence, known as organisational structure.

2.2.2 Characteristics of Organising

- Organising is one of the basic and important elements or functions of management. To get things done by others, a manager has to organise their activities
- It is a goal-oriented process. It is only to accomplish certain goals that the process of organising is designed for. The structure of an organisation is designed so as to facilitate performance of large number of activities.
- The organising process chiefly deals with group efforts, which are made to achieve common goals.
- Organising is based on the principle of division of work and specialisation.
- It involves the processes of differentiation or division of activities and integration of activities by grouping them.
- The process of organising aims at interrelating, mobilising and coordinating the activities of employees.
- It establishes authority relationship of superior and subordinate among the employees by assigning the activities and delegating adequate authority to them.

- It has two basic constituents or dimensions, namely authority structure, which is created by delegation of authority from top to lower level and the activity structure, created by dividing activities into jobs and tasks, grouping them and then assigning them to the various department or individuals.

2.2.3 Process of Organising

Organising as a process can be described as follows:

- **Identification of Activities:** At the first stage of organising, the manager recognises those activities, which are indispensable for reaching common goals. The common goals of organisation provide the basis for determining and identifying the activities.
- **Division of Activities**: Once the events have been acknowledged, they are divided and subdivided into jobs and small tasks known as elements of activities.
- **Grouping of Activities**: After division into small elements known as tasks, the closely linked ones having similarity may be grouped to form a department.
- **Assignment of Group Activities**: Once activities are classified into groups, they are allocated to the particular department or an individual.
- **Granting Necessary Authority:** Groups of activities are assigned to various departments and individual employees' demands to grant adequate authority to them are considered.
- **Coordinating the Functioning of Various Departments**: In the process of organising, attempts are made to coordinate each small element or task with departmental activities. Further, the functioning of each department is coordinated to achieve common goals.

After completing the above-mentioned stages involved in the process of organising, it results in the creation of a structure known as organisational structure.

2.2.4 Need and Importance of Organising

The need and importance of organising and organisational structure can be understood on the basis of following points:

- Sound organisational structure facilitates effective management.
- The whole process of organising helps in co-ordinating various jobs in the department or division and by relating them to departmental work.
- Logical and clear-cut division of work and delegation of authority among the various members leads to many benefits.
- The sub-processes, differentiation and integration may directly affect operating results of the enterprise. If both the processes are conducted in a proper manner, overall organisational efficiency tends to increase.
- Creation of organisational structure also necessitates delegation of authority among various managerial positions. Decentralised organisational structure encourages prompt decision-making and efficient control.
- The organisational structure delivers the basis and framework to the manager, which permits him to cope with the changing environment.
- The structure of an organisation facilitates formal communication through line of authority, established from top to lower levels.
- Creation of staff units in the activity structure of the organisation broaden the span of control of the manager and help him in discharging his responsibility in a more efficient manner.
- Organising virtually means order and discipline both in respect of working behaviour of the employees and their role and relationship.
- Highly de-centralised structure of an organisation tends to have a strong influence on development of managers as delegation of authority to lower level managers provides opportunity to them for making decisions and exercising administrative authority.

2.2.5 Principles of Organising

Introduction of organisation discusses those well-established and accepted general statements, which are used in the process of organising to prepare a sound

organisationl structure. These principles serve as general guidelines for managers for developing sound and more effective pattern of relationship in designing the organisation. Most of these principles have classical flavour; early management writers, including F. W.Taylor, HenriFayol, Lyndall, Urwick and others have established them. With the passage of time, these principles have been refined and extended by many modem management scientists to make them more efficacious and relevant in the modem context. Some of these principles are outlined below.

1. **Principle of Division of Labour**: This is the basic principle of organising, which represents division of work and activities into small tasks and jobs necessary for achieving a set of objectives.
2. **Principle of Functional Definition**: In order to exonerate assumed responsibility by concluding the job assigned to the employee, he has to perform many functions. According to this principle, the tasks to be performed by an individual employee or by a department must be well-defined.
3. **Principle of Sealer Chain**: This principle is known as sealer chain or line of authority or chain of command. It states that there exists an unbroken line of authority or sealer chain from the top to the lowest level.
4. **Principle of Span of Control**: This principle refers to the number of subordinates to be placed under the command of the manager so that he can manage their work efficiently.
5. **Principle of Unity of Command**: The principle of unity of command implies oneness of command and single source of authority over a subordinate.
6. **Principle of Objective**: The organisation and each of its components or sub-systems should be directed towards the accomplishment of predetermined objectives.
7. **Principle of Balance**: According to this principle, all techniques and principles applied to particular structure of the organisation must be properly balanced to ensure that one principle does not contradict with another or benefits of one are not countered by the benefits of the other.
8. **Principle of Flexibility**: It proposes that the structure of an organisation should be designed to permit growth and diversification.

9. **Principle of Absoluteness of Responsibility**: According to this principle, responsibility once assumed by the manager cannot be shifted to subordinates.
10. **Principle of Delegation by Result Expected**: For creating the structure of an administration, authority should be delegated in such a way as to elucidate performance potentials in terms of cost, volume, time and efforts.
11. **Principle of Parity between Authority and Responsibility:** The principle suggests that there should be complete balance or parity between authority and responsibility; only that much authority should be delegated which is needed for carrying out the assigned job.
12. **Principle of Efficiency**: According to this principle, the organisational structure should be designed in such a way as to facilitate efficient accomplishment of objectives.
13. **Principle of Continuity**: The principle of continuity states that while designing the structure of the organisation, due care should be taken to maintain continuity in respect of its existence and functioning.
14. **Principle of Cooperation**: According-to this principle, an organisation is considered as a team aimed at achieving objectives. Therefore, all members should achieve the allotted work in co-operation with each other.

2.2.6 Span of Management

Span of management is a way in which many people in an organisation are controlled and managed by single officer. It can be further called as:

- span of management
- span of authority
- span of supervision
- span of authority
- span of responsibility
- levels of organisation

Such principle depends upon principle of relationship. In this number of members can be more or less as per nature of work done by subordinate or ability

of supervision. In working domain with one head, nearly about four to five subordinates tends to work.

Check your progress 1

1. This is the basic principle of organising, which represents division of work and activities into small tasks and jobs necessary for achieving a set of objectives.

   a. Principle of division of labour.

   b. Principle of Efficiency.

   c. Principle of Cooperation.

   d. Principle of Continuity.

2. This principle states that while designing the structure of the organisation, due care should be taken to maintain continuity in respect of its existence and functioning.

   a. Principle of Continuity.

   b. Principle of Efficiency.

   c. Principle of Cooperation.

   d. Principle of direction.

2.3 Organisational Chart

An organisational chart (often called organisation chart/ org chart/ organigram/ organogram) is a diagram that shows the structure of an organisation and the relationships and relative ranks of its parts and positions/jobs. The term is also used for similar illustrations, for example ones showing the different rudiments of a field of knowledge or a group of languages.

An organisational chart of a company usually shows the managers and sub-workers who make up an organisation. It also shows the relationships between directors: managing director, chief executive officer and various departments. In many large companies, the organisation chart can be outsized and extremely complicated and is therefore sometimes divided into smaller charts for each individual department within the organisation.

The following is an example of a simple hierarchical organisational chart. In this chart, a 'line relationship' (or line of command in military relationships) exists between the Manager and the two Supervisors. These two colonels are directly responsible to the General. Similarly, a 'lateral relationship' in this chart exists between "Private A" and "Private B", who both work on level and both report to the "Sergeant B".

Various shapes such as rectangles, squares, triangles, circles, etc. can be used to indicate different roles. Colour can be used for determining the borders and connection lines to designate differences in authority and responsibility and formal, advisory and informal links between people. A department or position yet to be shaped or currently vacant might be shown as a shape with a dotted outline. Significance of the position may be shown both with a change in size of the shape in addition to its vertical placement on the chart.

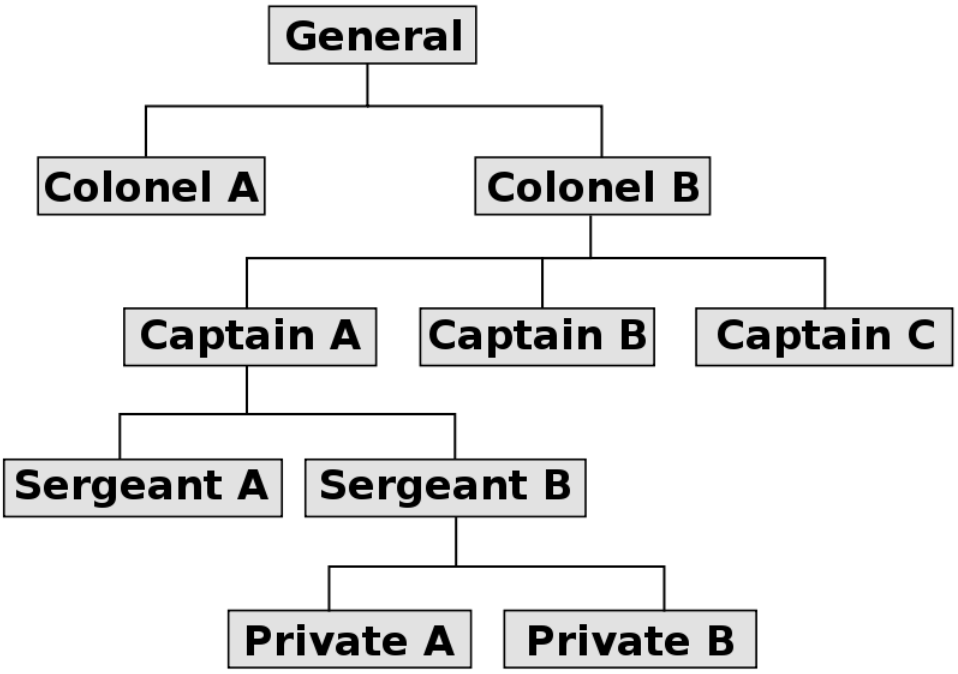


Fig 2.1 a sample Organisational Chart

Dale has considered organisational chart "as a diagram of formal authority structure." But this definition virtually ignores the horizontal dimension of an organisation. Terry has forwarded a more suitable definition of organisational charts. In his words, "organisational chart is a diagrammatical form which shows important sets of an organisation, including the major functions and their

respective relationship and the relative authority of each employee, who is in charge of each respective function."

2.3.1 Types of Organisational Charts

The structure of an organisation can be graphically presented in the following manner:

- **Vertical chart:**

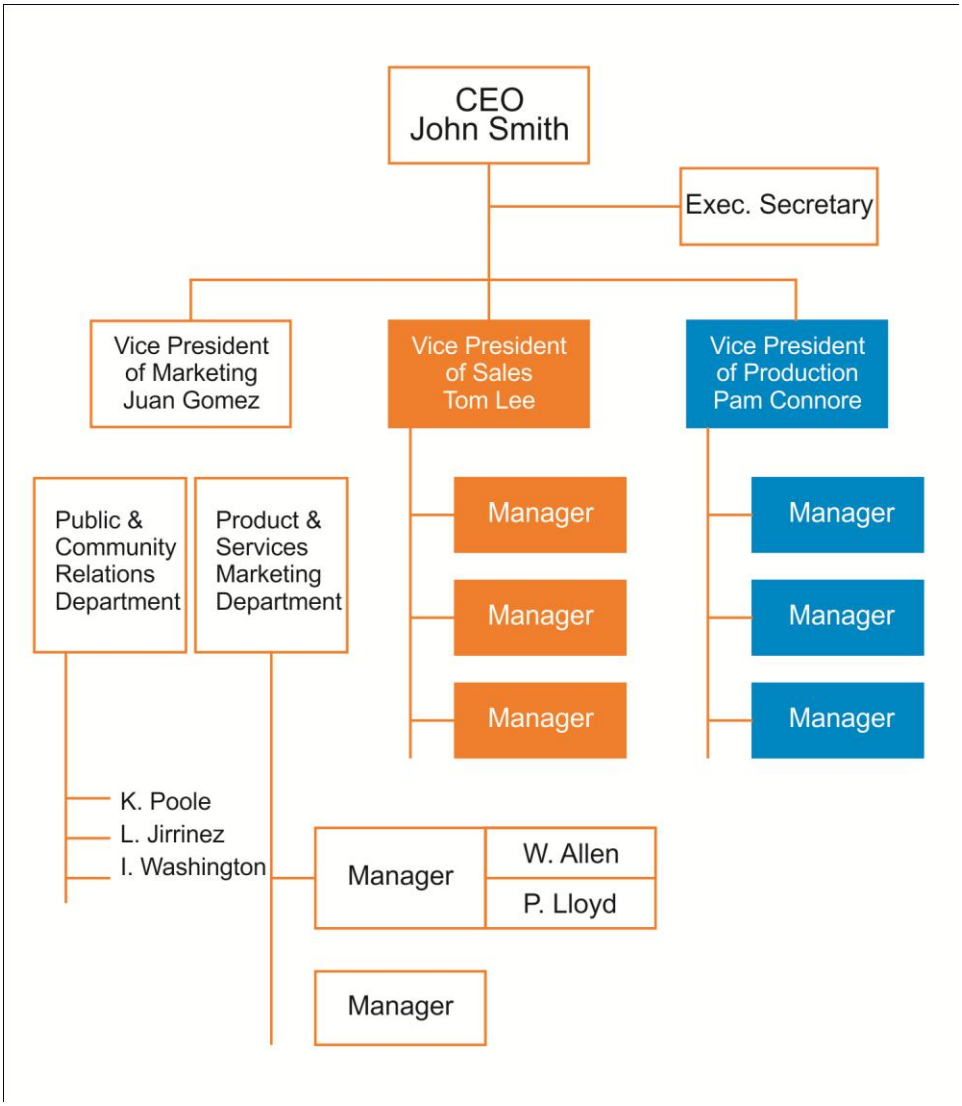


Fig 2.2 A Vertical organisation chart

This is the conventional way of preparing the organisational chart. It specifies the position of chief executive on the top, to which succeeding managerial positions are attached. As the chain of command action moves

downwards, at every following stage, contents of authority tend to decrease. Vertical charts take the shape of a pyramid with fewer managerial positions on the higher side and more positions on the lower sides.

- **Horizontal chart:**

Organisation of Forest Department

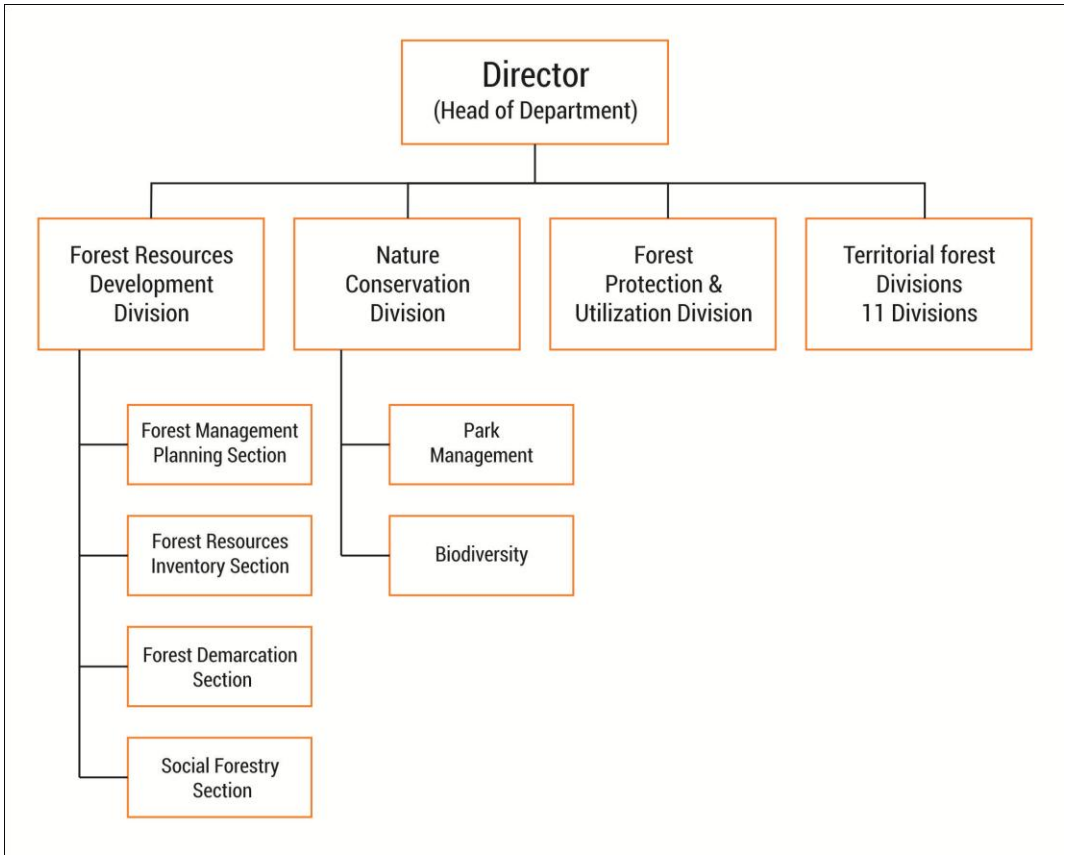


Fig 2.3 Horizontal organisational chart

There is just a minor distinction between vertical and horizontal charts. Firstly, the pyramid line remains in horizontal position in place of the vertical position. Second, the line of authority begins from left to right in the horizontal chart. The position of chief executive lies on acute left side and as it moves to right side, it represents lower level of managerial chain of command. Since horizontal charts complicate the diagram, they are less common in practice.

- **Circular chart:**

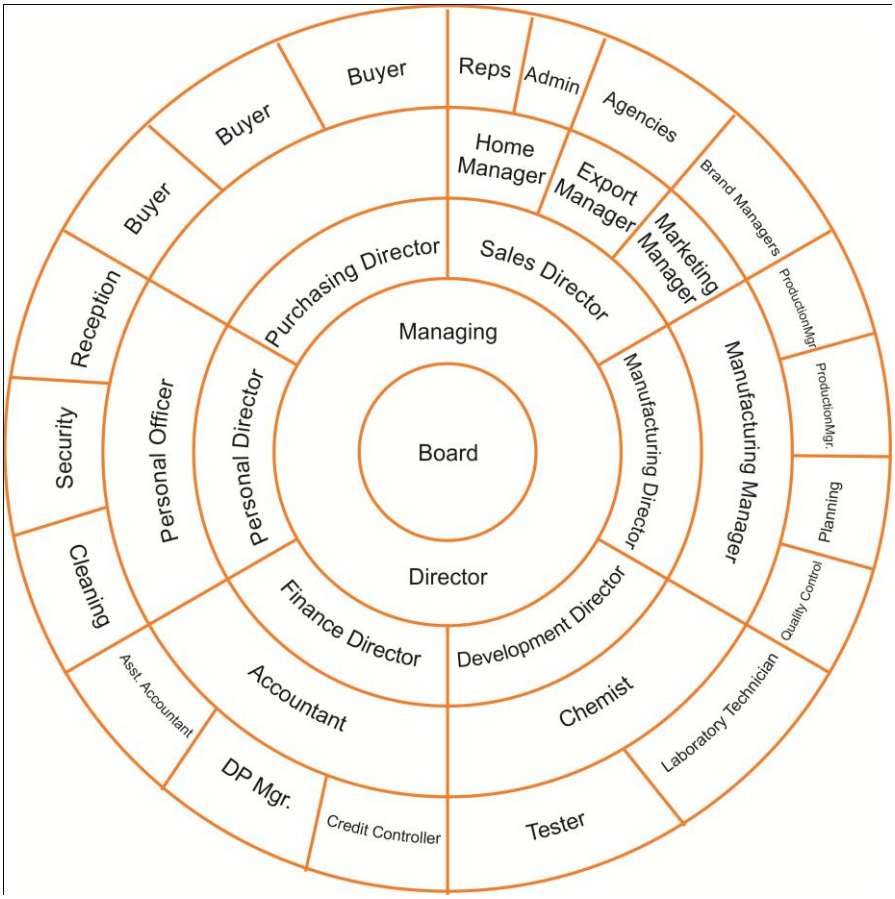


Fig 2.4 Circular organisational chart

The concentric chart indicates the top managerial position at the centre and other middle and lower managerial positions revolve from centre in concentric circles. Beside top position, the lowest managerial position lies on the outermost circle. Circular charts plainly show scope of each manager's responsibility and authority and eliminate status implications which are intrinsic from top to lower levels. It takes minimal space for presenting different managerial positions. But it is inundated with a weakness; it is very challenging to draw and it officially creates a lot of confusion regarding managerial positions.

2.3.2 Contents of Chart

The detail of content present in organisational chart includes:

- Governance
- Operating Rules of an organisation

- Distribution of work

Governance

It is the basic element in an organisational structure where initially some person or group takes decisions in it.

Operation rules of an organisation

It conveys certain rule by which an organisation works. There are certain rules which are dynamic while others are implied and understood.

Distribution of work

In an organisation, the distribution of work can be further sub divided into formal or informal, temporary or enduring with certain division of labour. There are four tasks which is main for any group:

- Envisioning desired changes.
- Transforming the community.
- Planning for integration.
- Supporting efforts of working so to promote change.

2.3.3 Uses

Organisation charts can be of use to an organisation in:

- Building and designing organisation structure to fulfil business objectives.
- Guiding employees about the knowledge related to their rights and responsibilities.
- Dividing the functions of a company, enterprise or department.
- Show relationships which appear among organisation staff members.
- Judging the officers workload.
- Locating unrelated persons having no relationship.
- Determining employee position based on competency.
- Clarity inside an organisation.
- Improving employee performance.

- Understanding and coordinating of organisation.
- Determining promotion channels.

2.3.4 Limitations

The organisational chart has certain limitations such as:

In this not every communication channel is formal.

It is difficult to keep track of changes which are responsible in maintaining an organizational chart.

2.3.5 Factors Affecting Organisational Chart

Various factors determine the effectiveness of an organisation structure. These are organisation's environment, strategy, technology, size and people.

- **Environment:** An organisation is a system, which operates within a broader framework of an environment. Though the periphery between the organisation and its environment cannot be exact and definite, for all practical purposes, such boundary can be identified. The organisation interacts incessantly with its environment. It is influenced by the environment and in turn it influences the environment. In this interaction, the environment determines the various organisational processes including its structure. The environmental system concept regards the organisation as a part of the environment- the environmental system.
- **Strategy:** An organisation's strategy and its structure are closely intertwined. The understanding of this relationship is important so that in implementing the strategy, the organisation structure is planned according to the requirements of the strategy. The relationship between strategy and structure can be thought in terms of utilising structure for strategy implementation because structure is a means to an end and not an end in itself.
- **Technology:** Technology is another factor affecting organisation structure. Though technology is one of the components of organisational environment, it should be studied separately because technology directly affects the task structure. Before analysing the impact of technology on the organisational

functioning, it is imperative to understand the nature of technology as relevant to the organisations.

- **Size:** The subject of organisational size has been a compelling one in organisational analysis, though most organisation theorists have hardly envisaged size as an important factor. This is so since there are diverse research findings on the relationship between an organisation's size and its structure.

  Theoretical proposition suggests that size of an organisation influences its coordination, direction, control and reporting systems and, hence, the organisation structure. When an organisation is small, interaction is confined to a relatively small group, communication is simpler, less information is required for decision-making and there is less need for formal structure.

- **People:** The organisational structure is the result of conscious actions on the part of people engaged in the organisation. As such, the form of organisation structure is expected to reflect the thinking and way of working of its framers and participants. The form of organisation is a major source of satisfaction or dissatisfaction for the people. Moreover, the structure is the result of the personality of its framers.

  Thus to arrive at appropriate structure, the forces in people may be analysed. Such analysis may be in two ways: people in superior capacity and people in subordinate capacity.

Check your progress 2

1. A _____ is a diagram that shows the structure of an organisation and the relationships and relative ranks of its parts and positions/jobs.

   a. Organisational Chart.

   b. Chart.

   c. Diagram.

   d. Organisational Diagram

2. _____indicates the top managerial position at the centre and other middle and lower managerial positions revolve from centre in concentric circles.

   a. Circular Chart.

   b. Vertical Chart.

   c. Horizontal Chart.

   d. None of the above.

2.4 Organisation Structure

The structure of an organisation is a network of authority and responsibility assumed by and delegated to the employees. Organisational structure defines the pattern of formal relationship between superiors and subordinates. It may also be regarded as a network of role, relationship, assigned work and delegated authority to employees. It provides the basis on which the managers and non-managerial employees perform the job assigned to them.

The structure of the organisation has two dimensions, firstly authority structure, which comes into being by delegating authority from top to lower levels and activity structure, secondly by dividing activities, grouping them and assigning them to the various departments or individuals. It has a pyramid shape.

2.4.1 Classification of Organisational Structure

Various activities are grouped together to create departments and units and their relationships in the organisation is thus prescribed. On the basis of this, the organisational structure is classified. Thus, there are seven types of organisation structure:

- Line
- Line and staff
- Functional
- Divisional
- Project

- Matrix
- Free-form (virtual organisation)

Each of these emphasises different arrangements of organisational activities. Some of these are designed on mechanistic pattern, for example, line, line and staff structures; some are designed on organic or dynamic pattern, for example, matrix and free-form structures. Others have a combination of both mechanistic and organic patterns in varying degrees. Further, some of the structures are basic, for example, functional, divisional, etc; some emerge because of overlays denoting superimposition of one element over another, for example, matrix structure. Besides the basic organisation structure organisations may create committees taking personnel from different departments where the processes are quite different as compared to a department.

2.4.2 Line Organisation Structure

It is the oldest organisational structure which is frequently associated with scalar, military or vertical structure. With this concept, it is narrated that in any organisation or hierarchy which is acquired from scalar process, there subsists one top head that will run and command the structure. Moreover it is clear that executives in an organisation will also have power to delegate work and holds responsible for output.

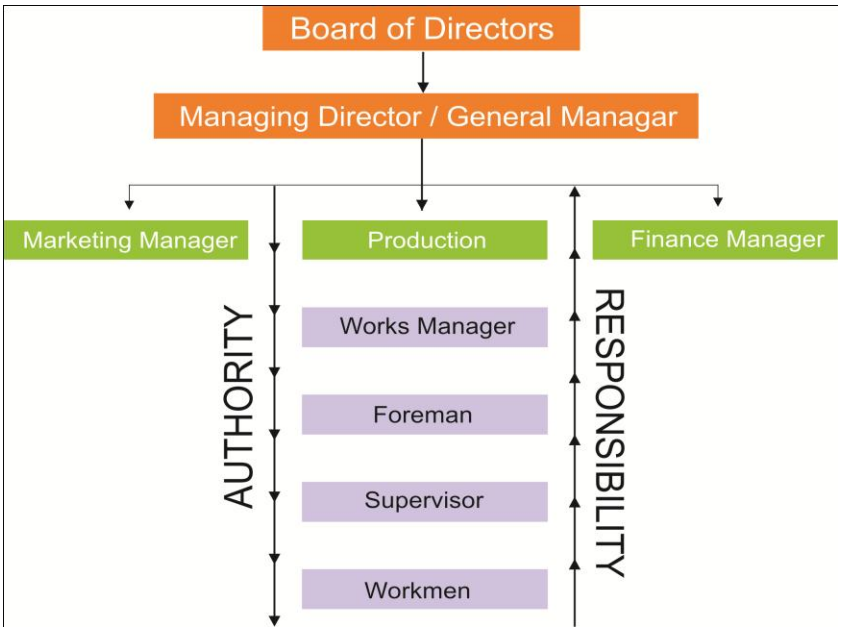


Fig 2.5 Line Organisation Structure

It is found that a line organisation can be arranged as:

1. **Pure Line Organisation:** In this, similar work is carried out at particular level. Here each subsequent group of activities is an independent unit which works for an allocated activity without the help of others.
2. **Departmental Line Organisation:** In this, the comprehensive work unites various departments as per the commonness of activities. Here each department is kept under individual departmental head. The idea of this is to get specific control, power and liability.

Characteristics of Line Organisation:

Line organisation structure has following characteristics:

- Lines of influence and instructions are vertical, i.e. they flow from the top to the bottom.
- The unity of command is preserved in a straight and constant line. It implies that each junior receives instructions from his immediate superior alone and is responsible for him only.
- All people at the same level of organisation are self-governing. It implies that all the departmental heads are highest in their respective areas and self-regulating and are responsible to the chief executive. This applies to all other positions also.
- This structure specifies responsibility and authority for all the positions limiting the area of action by a particular position holder.

Merits of Line Organisation

Line organisation structure has following merits or advantages.

1. **Simplicity:** This organisation is quite simple in both understanding and implementation.
2. **Discipline:** Since each position is subject to control by its immediate superior position, often the maintenance of discipline is easy.
3. **Prompt Decision:** Most of the decisions in such organisations are taken by the superiors concerned. This makes the decision-making process easier and less time-consuming.
4. **Orderly Communication:** Line organisation follows scalar chain method of communication.

5. **Easy Supervision and Control:** The line organisation provides for easy supervision and control because each subordinate is controlled by a single superior.
6. **Economical:** The line organisation is quite economical because it does not use staff specialists whose appointment is a costly affair specially for small organisations.
7. **Overall Development of the Managers:** Various functions of managers lead to the overall development of the managers concerned.

Demerits of Line Organisation

Line organisations offer many problems and limitations, which are as follows:

1. **Lack of Specialisation:** The line organisation does not offer scope for specialisation. A manager has to perform a variety of functions, which may not necessarily be closely interrelated.
2. **Absence of Conceptual Thinking:** The managers in this system do not find time for conceptual thinking so essential for organisational growth and development because they remain quite busy in their day-to-day managerial problems.
3. **Autocratic Approach:** The line organisation is based upon autocratic approach of authority being direct, demands high level of obedience on the part of the subordinates.
4. **Problems of Coordination**: Coordination among various activities and the departments is achieved through horizontal relationship, whereas the line organisation stresses only on vertical relationship. Thus, there is acute problem of coordination, particularly in a large organisation.

2.4.3 Line and Staff Organisation Structure

This structure narrates certain arrangement where staff experts advise their line managers to perform particular task. On increasing work of an executive, its performance will effect and service of specialists cannot able to give as of restricted capabilities. This type of advice is mandatory to deliver to line managers by staffs personal which are normally specialists in their own fields. The staff positions or departments are of purely advisory nature. They have the right to recommend, but have no authority to enforce their preference on other departments.

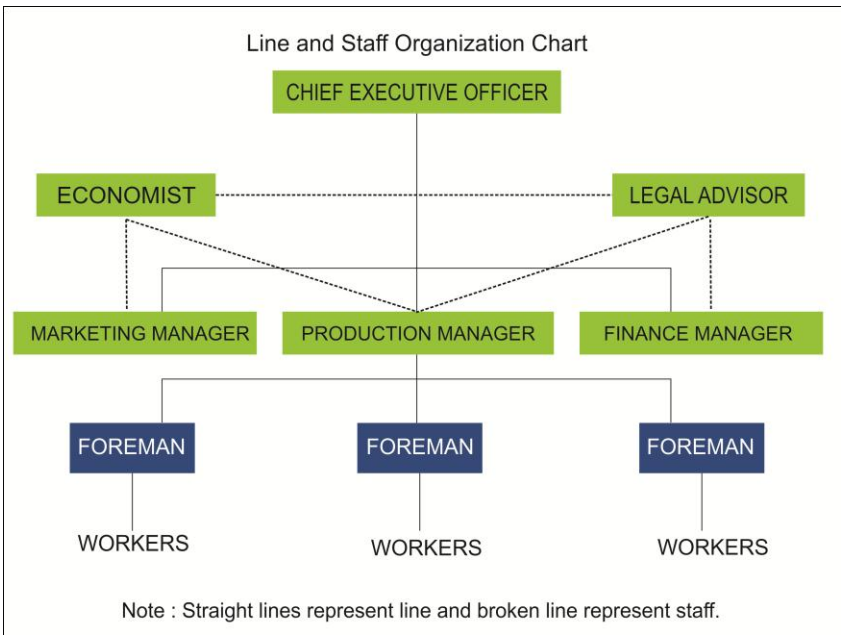


Fig 2.6 Line and Staff Organisation Structure

Merits of Line and Staff Organisation

As against line organisation structure, line and staff structure offers the following advantages:

1. **Planned Specialisation:** The line and staff structure is based upon the principle of specialisation. The line managers are responsible for operations contributing directly to the achievement of organisational objectives whereas staff people are there to provide expert advice on the matters of their concerns.
2. **Quality Decisions:** The quality of the decision derived is superior as the decision is the product of careful thought and systematic analysis.
3. **Prospect for Personal Growth:** The system of organising offers ample prospect for efficient personnel to grow in the organisation.

Demerits of Line and Staff Organisation

The line and staff structure has certain limitations, which particularly become acute when it is not implemented properly. Following are some basic problems and limitations:

1. **Lack of Well-defined Authority:** It becomes difficult to differentiate clearly between line and staff because, in actual practice, the authority is often diffused.

2. **Line and Staff Conflicts:** The chief problem of line and staff structure is the encounter between line and staff managers. Such conflicts may be because of various reasons and sometimes the organisational conflicts may be taken as personal conflicts resulting in interpersonal problems.

2.4.4 Functional Organisation Structure

Functional organisation structure is the most widely used in the medium and large organisations having a limited number of products. This structure materialises from the idea that the organisation must perform certain functions in order to carry on its operations.

Functional structure is shaped by grouping the activities on the basis of functions prerequisite for the achievement of organisational objectives. For this purpose, all the functions required are classified into basic, secondary and supporting functions according to their nature and importance. The elementary functions are essential for the organisation.

For example, in a manufacturing organisation, production and marketing are basic functions. When departments are created based on basic functions and a manager feels that his span of management is too wide to manage effectively, which invariably happens in large organisations, several departments are created on the basis of dividing a basic function into sub-functions. Marketing may be subdivided into marketing research, advertising, sales, and so on.

Characteristics of Functional Organisation

Relationships that include authority in functional structure may be in the form of line/ staff and functional. In fact, the concept of functional authority is very suitable for functional structure. Thus, functional structure is characterised by the following:

- Specialisation by functions
- Emphasis on sub-goals
- Pyramid growth of the organisation
- Line and staff division
- Functional authority relationships among various departments
- Limited span of management and tall structure

The organisation chart of functional structure is presented in Figure 2.7:

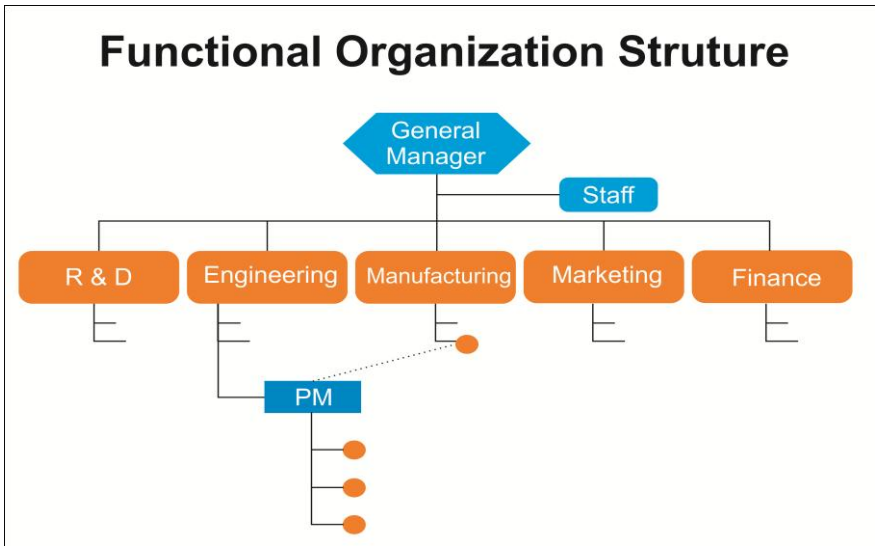


Fig 2.7 Functional Organisation Structure

Problems in Functional Structure

The functional structure is inappropriate to an organisation, which takes up diversification. New activity may be dissimilar to the activities being performed by the organisation.

Thus, diversification cannot be achieved suitably within the context of functional structure. At least at some level, there may be violation of functional structure.

In such a situation, functional structure presents following problems:

- Responsibility for ultimate performance cannot be accorded in the functional structure because no one is responsible for product cost and profit. Each department concentrates on its contribution to the product, but not the entire product.
- Functional structure essentially produces slow decision-making process because the problem requiring a decision has to go to various departments as all of them have something to say on the matter.
- Functional structure lacks responsiveness necessary to cope up with new and rapidly changing work requirements.
- Functional structure offers usually line and staff conflict and interdepartmental conflict. The heightened degree of such a conflict becomes detrimental to organisational efficiency.

2.4.5 Divisional Organisation Structure

The second basic structural form employed by organisations is the divisional structure. In India, many companies have diversified into unrelated businesses and have found functional structure quite unsuitable for them. For example, companies like D.C.M. Limited, Voltas Limited, Century Spinning Mills, Gwalior Rayon, etc., have adopted the divisional structure.

Divisional structure, also called profit decentralization by Newman and others is built around business units. In this form, the organisation is divided into several autonomous units. Each unit is headed by a manager who is responsible for the organisation's investment in facilities, capital and people as well as for unit's development and performance.

Divisional structure is similar to dividing an organisation into several smaller organisations but it is not quite the same, since each smaller organisation is not completely independent. Each unit is not a separate legal entity; it is still part of the organisation. Each unit is directly accountable to the organisation.

Basis of Divisional Organisation

There are different bases on which various divisions in an organisation can be created. The two traditional bases are product and territory.

Product Divisional Organisation: In this form, each major product or product line is organised as a separate unit. Each unit has its own functional structure for various activities necessary for the product. Multi-product organisations use this as basis for divisional organisation. This is appropriate specially when each product is relatively complex and large amount of capital is required for each product. The product requires different type of efforts as compared to others in terms of marketing and/or production.

For example, Century Mills has separate divisions for textiles, cement and shipping. Reliance Industries Limited has six product divisions: textiles, polyster, fibre intermediates, polymers, chemical and oil and gas. Each division caters to different customers and has different types of competition.

Territorial Divisional Organisation: Under this form, location of regional offices is standalone units having its own functional departments which work under certain policies and guidelines given by corporate management. This is useful for those organisations whose activities are geographically spread such as banking, transport, insurance, etc.

For example, Life Insurance Corporation of India runs its life insurance business on the basis of territorial divisional organisation in which the entire geographical area of the country has been divided into five zones- eastern, central, northern, southern and western. Each zone has further been divided into appropriate number of divisions, e.g. north-zone into four divisions located at Jallandhar, Chandigarh, New Delhi and Ajmer.

Each division has a number of branches at different places covered by the division concerned.

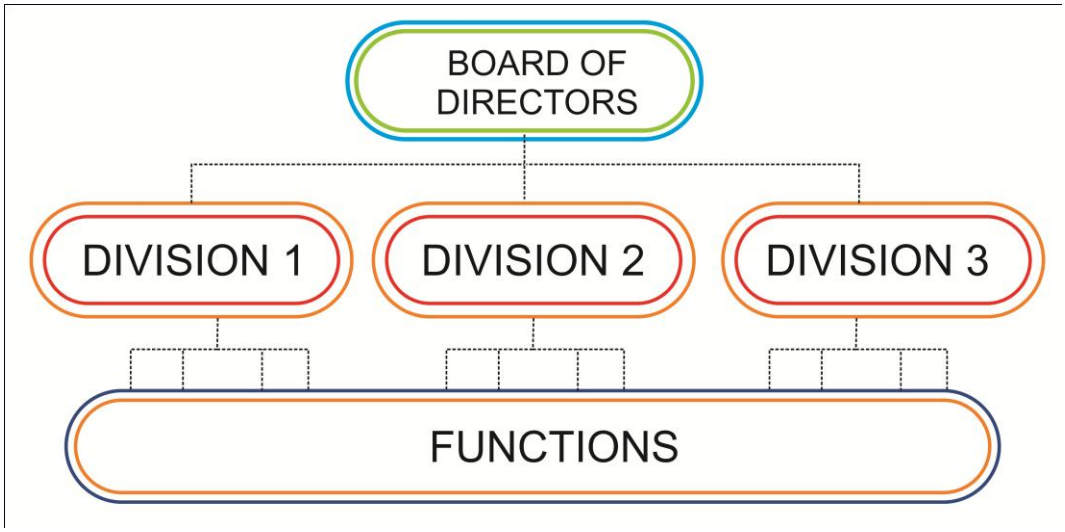


Fig 2.8 Divisional Organisation Structure

Problems in Division Structure

There are certain disadvantages and problems of divisional structure. Some of these problems are inherent in the system while others emerge because of wrong approach of management. Following are the major shortcomings of divisional structure.

- Divisional structure is quite costly because all the facilities have to be arranged for each division.
- Since there is lack of emphasis of functional specialisation, many professionals do not feel satisfied with this structure.
- Often there is a lack of managerial personnel when a new division is opened because managers working within a division cannot work with same efficiency in other division, as they must have acquired the technical competence of that division.
- Control system is a major problem of the divisional organisation.

Many of these problems can be overcome through sharp focus on tasks and responsibilities of corporate and divisional management, measurement of performance of divisions, long-term policy for performance and incentives, creating more autonomy and decentralization of authority and the explicit strategies for both the organisations as a whole and its various divisions.

2.4.6 Project Organisation Structure

Major reforms in the traditional functional structure have come from a group of related structures such as project management. The basic idea behind this structure is that since environment changes very rapidly, the organisation must take up various activities on project basis, i.e. adding the required ones and deleting the unnecessary ones. Thus, the organisation can be organic-adaptive one.

The project work can be managed in two forms of organisation: pure project organisation and matrix organisation.

The pure project organisation is suitable for taking small number of larger projects with long duration so that a separate division can be created for each project.

Project organisation appears like divisional structure except that in the latter, various divisions are created on permanent basis while in the former, they are created only for the lifetime of a project. When a particular project is completed, the concerned division may disappear. However, since a project may continue for quite long time, a project may become a sort of permanent.

For example, Middleton observes, "A project organisation can also be the beginning of an organisation cycle. The project may become a long term or permanent effort that eventually becomes a programme or branch organisation. The latter, in turn, may become separated from the parent organisation and be established as a full-fledged division, functionally organised."

The establishment of project organisation calls for appointment of a project manager who is responsible for the completion of the project. He coordinates the activities of the project. He prescribes what is to be done, when it is to be done and how much resources are required. The functional personnel are drawn from various functional departments and functional managers decide who in their department will perform the task and how it will be done. Thus, project manager is a unifying and focal point for the project activities.

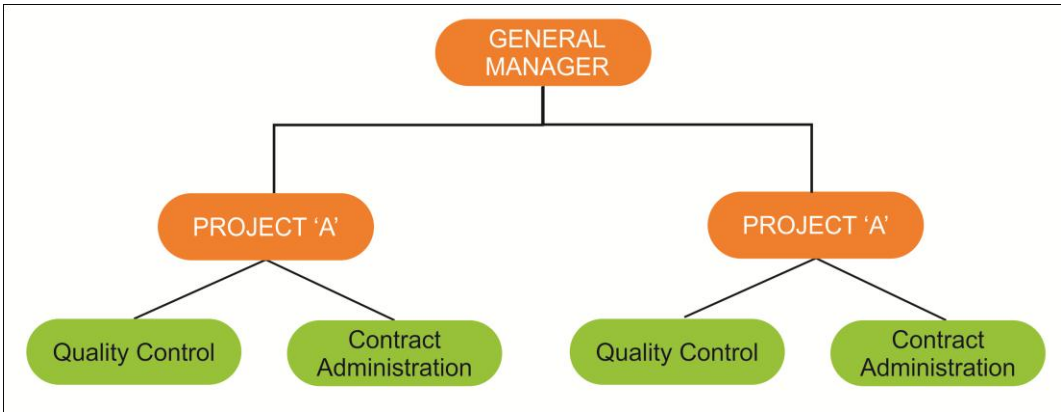


Fig 2.9 Project Organisation Structure

A project manager really does not have vertical authority on the personnel drawn from various functional departments in direct contrast to a divisional manager who has line authority over the people working in various functional departments assigned to his division. In the absence of any vertical authority, the project manager must persuade the functional department so that they help him to complete the project within time.

Problems in Project Organisation

As a matter of fact, many of the flexibilities of a project organisation may turn into glitches if the arrangement is not prepared in anticipation for overcoming these problems. A project manager has to face unusual problems resulting from the project management. It has been observed that the following problems are usually experienced in project organisation.

- Project organisation creates feelings of insecurity and uncertainty among people in the organisation.
- People are not able to identify themselves with any particular department in the organisation because they do not have permanent tenure with any project.
- There is lack of clarity among members about their role in the organisation.
- Often project manager faces numerous problems because he has to carry responsibility without authority.

These problems are real and a challenge lies before the project manager. If he believes in traditional system of organisation, he may not be able to work. He has to change the total philosophy of managing.

2.4.7 Matrix Organisation Structure

Matrix organisation structure is principally a violation of unity of command and therefore, in practicality all the classical concepts related to the principle of unity of command are violated. Matrix structure is the realisation of two-dimensional structure, which emanates directly from two dimensions of authority. Two complementary structures- pure project structure and functional structure- are amalgamated to create the matrix structure.

Thus, matrix structure not only employs a multiple command but also related support mechanism and associated organisational culture and behaviour. Thus, it shows many organisational overlaps, not only in terms of command system but also in terms of complete organisational processes and behaviour.

Design of Matrix Structure

In the matrix organisation structure, a project manager is appointed to coordinate the activities of the project. Personnel are selected from their respective functional departments. Upon completion of the project, these people may return to their original departments for further assignment.

Thus, each functional staff has two bosses- his administrative head and his project manager. During his assignment to a project, he works under the coordinative command of the project manager and he may be called upon by his permanent superior to perform certain services needed in the project. Thus, a subordinate in matrix structure may receive instructions from two bosses.

Therefore, he must coordinate the instructions received from two or even more bosses. Similarly, matrix superior has to share the facilities with others. He reports in a direct line to the up, but does not have a complete line of command below.

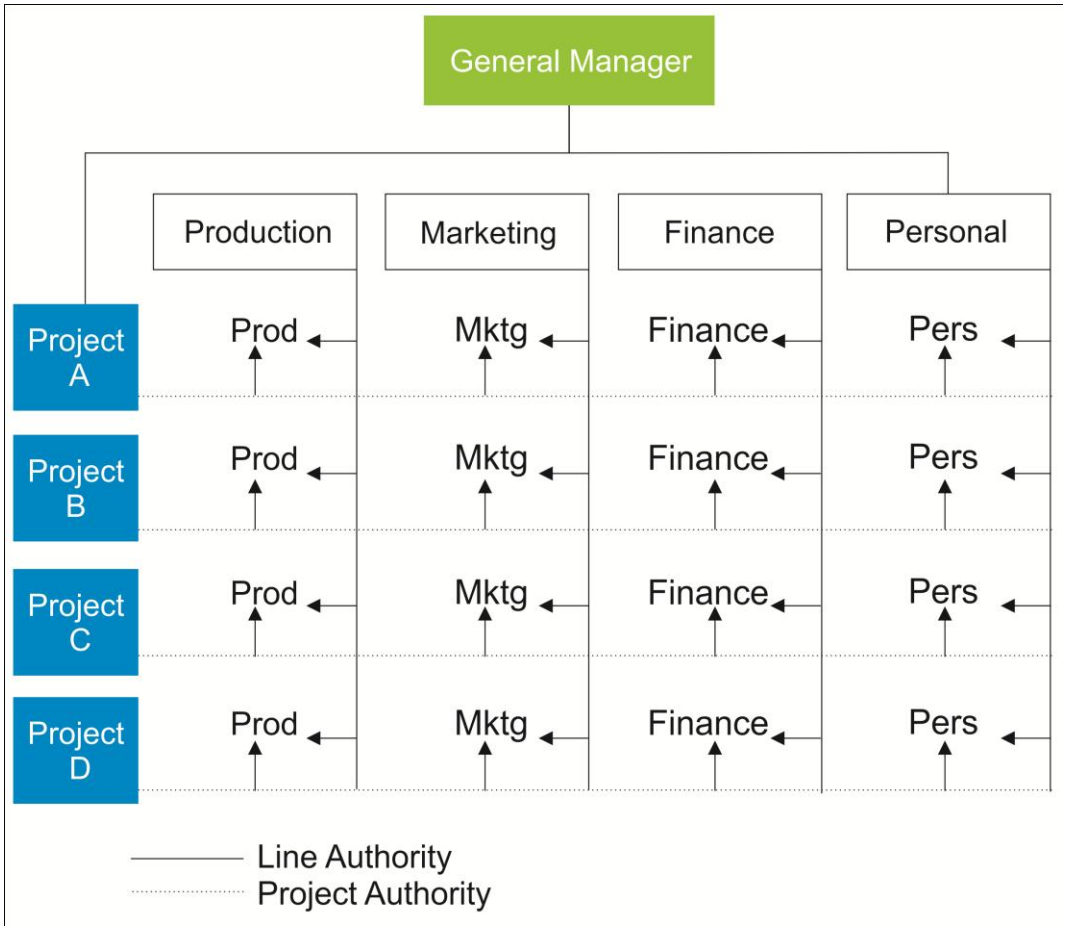


Fig 2.10 Matrix Organisation Structure

Problems in Matrix Structure

The matrix structure has a plethora of problems in practice because of its flexibility. The major problems of matrix structure are as follows and managers should take adequate precautions to overcome these.

- There is always power struggle in the matrix structure.
- Matrix structure can develop anarchy if not managed properly.
- This structure may not work very well when there is economic crunch.
- If matrix organisation is not followed properly, there is delay in decision-making.
- At the initial level, matrix structure becomes quite costly because of top heavy management.

A persual of the various problems suggests that many of these problems arise because of faulty implementation of matrix structure. If it is executed with proper perspective, several snags will disappear. As it has been pointed out in the beginning, the matrix is not merely a structure but it includes systems, culture and behaviour, which must be in tandem with matrix philosophy.

2.4.8 Virtual Organisation

The concept of virtual organisation or corporation along with virtual team and office has entered management field very recently. The literal meaning of virtual organisation is possessing the efficacy without the material part, unreal but capable of being considered as real for the purpose. Based on this concept, virtual corporation has been defined as " a temporary alliance between two or more organisations that band together to undertake a specified venture." Recently, in telecommunication sector in India, many virtual organisations have been created to provide different services.

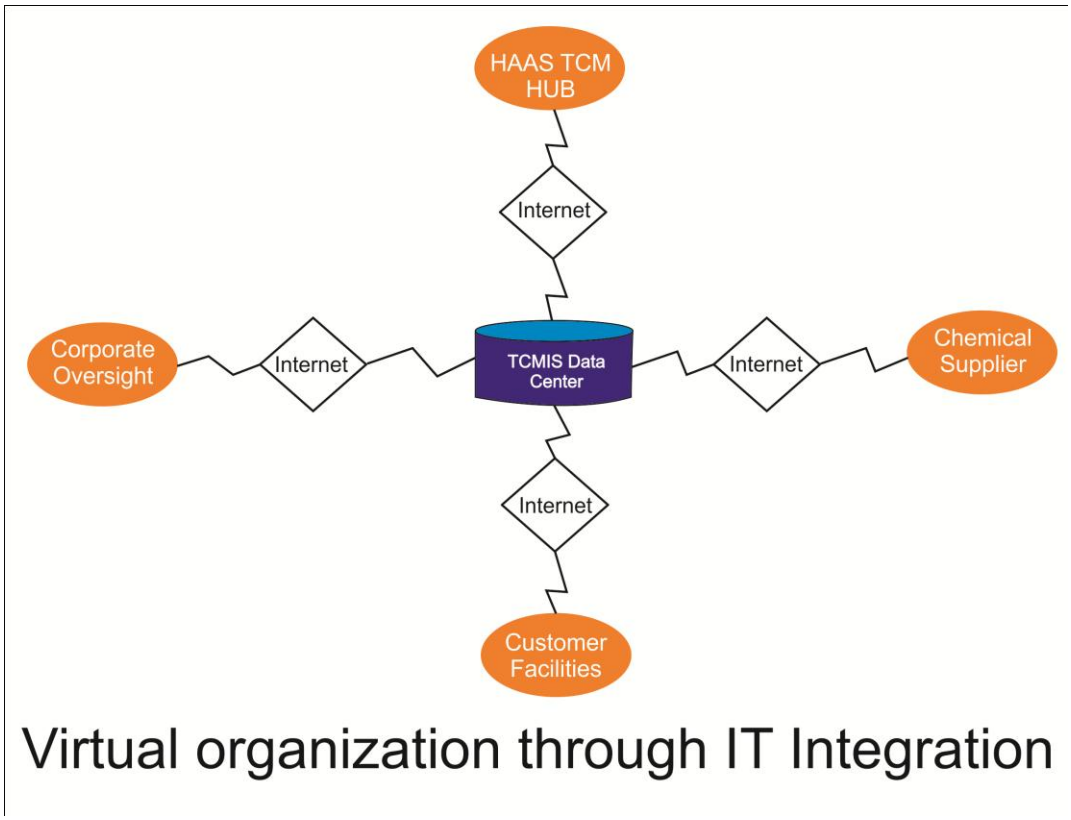


Fig 2.11 Virtual Organisation

Characteristics of Virtual Organisation

Business Week has identified five basic features of a virtual organisation, which are as follows:

1. **Technology:** Informational networks will offer far-flung companies and entrepreneurs to link up work together from start to finish. The partnerships will be based on electronic contracts to keep the lawyers away and speed the linkups.
2. **Opportunism:** Partnerships will be less enduring, less formal and more opportunistic. Companies will link together to meet a specific market opportunity and, more often than not, fall apart once the need evaporates.
3. **Excellence:** Because each partner brings its core competence to the effort, it may be possible to create a best-of-everything organisation. Every function and process could be world class- something that no single company could achieve.
4. **Trust:** These relationships make companies far more reliant on each other and necessitate far more trust than even before. They will share a sense of co-destiny, meaning that the fate of each partner is dependent on other.
5. **No Borders:** The new corporate model redefines the traditional boundaries of the company. More cooperation among competitors, suppliers and customers makes it harder to determine where one company ends and another begins.

Reasons for Virtual Organisation

The basic reason behind creating a virtual organisation is to generate synergy through temporary alliances. Creating synergy is the process of putting two or more elements together to achieve a sum total greater than the sum total of individual elements separately. This effect can be described as 2 + 2 = 5 effect. The synergistic effect is generated in virtual organisation because of the complementarily of competences of different partners. Some companies can do something very well but struggle with most others. Other companies can do very well in those areas where the first group of companies falls short.. If both these types of companies put their efforts jointly to undertake any project, their combined strengths could lead to better overall performance and better results than what individual companies could have achieved separately.

Check your progress 3

1. Identify the organisation structure
   a. Matrix
   b. Rectangle
   c. Triangle
   d. square
2. Simplicity is the part of merits of the line organisation.
   a. True
   b. False

2.5 Informal Organisation

2.5.1 Meaning

Informal organisation endures as a relationship which survives between people in an organisation on the basis of their attitudes, emotions, prejudices, likes and dislikes etc. Such type of relation does not exist as per the standards and processing rules which ensues in a formal organisation. Normally, it is seen that a large formal groups will escalate small informal groups that are not planned earlier but will originate automatically in an organisation.

2.5.2 Characteristics

The characteristics of an informal organisation are:

- An informal organisation is flexible and unplanned depending on its structure.
- It carries no defined relationship.
- It carries two or more than two people.
- There exists a natural relationship.
- It carries volunteered membership.

- In this, there is no compulsion of groups as people have right to join any numbers of groups at the same time.

2.5.3 Importance

The importance of informal organisation in terms of Employees is:

- Sense of Belonging
- Safety valve for emotional problems
- Aid on the Job
- Innovation and Originality
- Important Channel of Communication
- Social Control

2.5.4 Limitations

- In an informal organisation, people sometimes conveyed wrong things to other person that result in horrible results.
- In such type of organisation, the changes are resisted and stress occurs when olden procedures are adopted.
- With negative thinking of leaders, the personal interest satisfies group interests then such organisation tends to function against formal organisational goals that could be dangerous.
- In this, when role in a group differs from formal goals then under such members conflict occurs in formal and informal roles.

2.5.5 Difference between Formal and Informal Organisation

Formal organisation	**Informal organisation**
It has defined objective that will save organisation and make it stable.	It does not have objectives but inspires of friendship, fame, respect, unity.
It is established with particular process.	It appears spontaneously.
In this the members are bound together with authority relation.	In this the member has duty, authority and responsibility.
It can be shown in an organisational chart.	It cannot be shown in an organisational chart.
In this the work for achieving organisational goal are identified.	In this the work for achieving organisational goal are not identified.

Check your progress 4

1. _____is an example of informal communication in an organisation?

   a. Organisation chart

   b. Matrix structure

   c. Gossip

   d. Company circulars

2.6 Let Us Sum Up

In this unit we have learnt, that organising is a process of finding and grouping work that needs to be performed, define and can establish relation. It involves integrating, coordinating and mobilizing the activities of members of group for seeking common goals.

It is studied that with organising, you can create formal organisational structure of role, relationship, position and authority. The good organisational

structure will contribute more on survival and success of an enterprise. It can be viewed as mechanism, device or indispensable means to achieve objectives.

There are several Principles of Organising such as Principle of Division of Labour, Principle of Functional Definition, Principle of Sealer Chain, Principle of Span of Control, Principle of Unity of Command, Principle of Objective, Principle of Balance, Principle of Flexibility, Principle of Absoluteness of Responsibility, Principle of Delegation by Result Expected, Principle of Parity between Authority and Responsibility, Principle of Efficiency, Principle of Continuity and Principle of Cooperation.

It is studied that an organisational chart is a diagram of official positions of an organisation and formal line of authority. It is a graphic and systematic description of formal structure of an organisation. The structure of an organisation carries vertical chart, horizontal chart and circular chart.

An organisational structure is a pattern of formal relationship between superiors and subordinates which is also regarded as network of role, relationship, assigned work and delegated authority to employees. Design of organisation structure is considered a matter of choice among a large number of alternatives.

It is seen that a line organisation structure is a scalar, military or vertical organisation which is an oldest form that believes on ruling with single head who commands it.

As seen, a line and staff organisation is a pattern where staff specialists advise line managers to perform their duties. In case of execution work increases, the performance needs services of specialists which himself cannot be done.

In a functional structure, a grouping activities takes places on basis of functions required for achieving organisational objectives. The idea of this is the functions are classified as basic, secondary and supporting functions as per nature and importance.

2.7 Answers for Check Your Progress

Check your progress 1

Answers: (1-a), (2-a)

Check your progress 2

Answers: (1-a), (2-a)

Check your progress 3

Answers: (1-a), (2-a)

Check your progress 4

Answers: (1-c)

2.8 Glossary

1. **Organisation -** Two more persons engaged in a systematic effort to produce goods or services.
2. **Organisation chart -** A graphic representation of organisational structure.

2.9 Assignment

What is Organising? What do you understand by Organisational Structure?

2.10 Activities

1. Explain characteristics, need and importance of organisational structure.
2. Organisational structure provides the framework for undertaking managerial functions. Discuss.
3. What are organisational Charts? Explain their types and factors affecting organisational charts

2.11 Case Study

How does line and staff organisation structure differ from pure line organisation structure? Write in your own words.

2.12 Further Readings

1. Principles of Management, B.S. Moshal, Galgotia Publications.
2. Management Text and Cases, VSP Rao and V. Hari Krishna, published by Anurag Jain for Excel books.
3. Principles of Management, Edition 2, P. C. Tripathi and P. N. Reddy, Tata McGraw Hill Publishing Company.
4. Essentials of Management, Harold Koontz and Heinz Weihrich, Tata McGraw Hil.

UNIT 3: STAFFING

Unit Structure

3.0 Learning Objectives

3.1 Introduction

3.2 Staffing

3.2.1 Meaning of Staffing

3.2.2 Nature of Staffing

3.2.3 Importance of Staffing

3.2.4 Staffing Process-Steps involved in Staffing

3.3 Manpower Planning

3.4 Recruitment

3.5 Selection

3.6 Orientation and Placement

3.7 Training

3.8 Remuneration of Employees

3.9 Performance Appraisal

3.10 Promotion and Transfer

3.11 Let Us Sum Up

3.12 Answers for Check Your Progress

3.13 Glossary

3.14 Assignment

3.15 Activities

3.16 Case Study

3.17 Further Readings

3.0 Learning Objectives

After learning this unit, you will be able to understand:

- The Meaning, nature, importance and steps involved in Staffing.
- Manpower Planning.
- Selection and Recruitment.
- Orientation and Placement.
- Remuneration of Employees.
- Performance Appraisal.
- Promotion and Transfer.

3.1 Introduction

In the previous unit, you studied about organising and organisational structure. You also deliberated on the organisational principles organisational chart and various organisational structures, namely, Line, Line and Staff, Functional, Divisional, Project, Matrix and Virtual organisational structures.

Further, you will learn another fundamental function of Management; Staffing. Staffing includes managing Manpower in an organisation. It involves identification of requirement of personnel, their recruitment, selection, training, development, appraisal, promotion, transfer, compensation, etc. in an organisation.

3.2 Staffing

Staffing comprises of a broad scope of activities. The word "hiring" is sometimes used interchangeably with "staffing". However, staffing is much broader in scope than hiring. Hiring is precisely the selection phase of the overall process of staffing. Similarly, "recruiting" is sometimes used for "staffing". Again, many people believe that "recruiting" refers more specifically to the sourcing and advertising phases of the overall process of staffing. Let us see what staffing exactly entails.

3.2.1 Meaning of Staffing

The term staffing may be defined as the managerial function of hiring and developing the required personnel to fill in various positions in an organisation. This function includes the determination of the size and categories of staff requirement. It is also concerned with hiring the right type of people and amplifying their skills through training. The staffing function focuses on maintaining and improving the manpower in an organisation.



Fig 3.1 Managerial aspects

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

The managerial function of staffing comprises of manning the organisation structure through suitable and effective selection, appraisal and development of the personnel to fill the roles assigned to the employers/workforce.

3.2.2 Nature of Staffing

The managerial function of staffing is of a continuous nature. The managers have to give attention to the staffing needs of the organisation. The staffing policy

of the organisation has to be developed on the basis of long term requirements of the organisation.



Fig 3.2 Staffing

Nature of Staffing can be explained by the following characteristics:

- **Staffing is an important managerial function:** Staffing function is the most important managerial act along with planning, organising, directing and controlling. The operations of these four functions depend upon the manpower, which is available through staffing function.
- **Staffing is a pervasive activity:** As the function of staffing is carried out by all mangers and in all types of concerns where business activities are carried out.
- **Staffing is a continuous activity:** This is because staffing function continues throughout the life of an organisation due to the transfers and promotions that take place.
- **The basis of staffing function is efficient management of personnel:** Human resources can be efficiently managed by a system or proper procedure, that is, recruitment, selection, placement, training and development, providing remuneration, etc.

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

Staffing is performed by all managers contingent to the nature of business, size of the company, qualifications and skills of managers, etc. In small companies, the top management generally performs this function. In medium and small-scale enterprise, it is executed especially by the personnel department of that concern.



Fig 3.3 Concept of Staffing

3.2.3 Importance of Staffing

Importance of staffing can be explained with the help of the followings:

- **Key to other managerial functions:** It is seen that function of staffing is closely related to managerial business areas which influences direction and control in organisation.
- **Building healthy human relationships:** It builds the required man-power relationships in an organisation. With smooth human relation, excellent coordination and communication takes place.

- **Human resources development:** For any business establishment, hardworking and skilled man-power is welcomed prerequisite which serves as an asset of a business concern.
- **Long Term effect:** The work operations of the company depend upon the effective decision making quality. It is noted that skilled, laborious and well-motivated people becomes an asset to an organisation.
- **Potential contribution:** The idea about staff selection depends upon the ability of effective employees which can manage future challenges which is needed by an organisation.

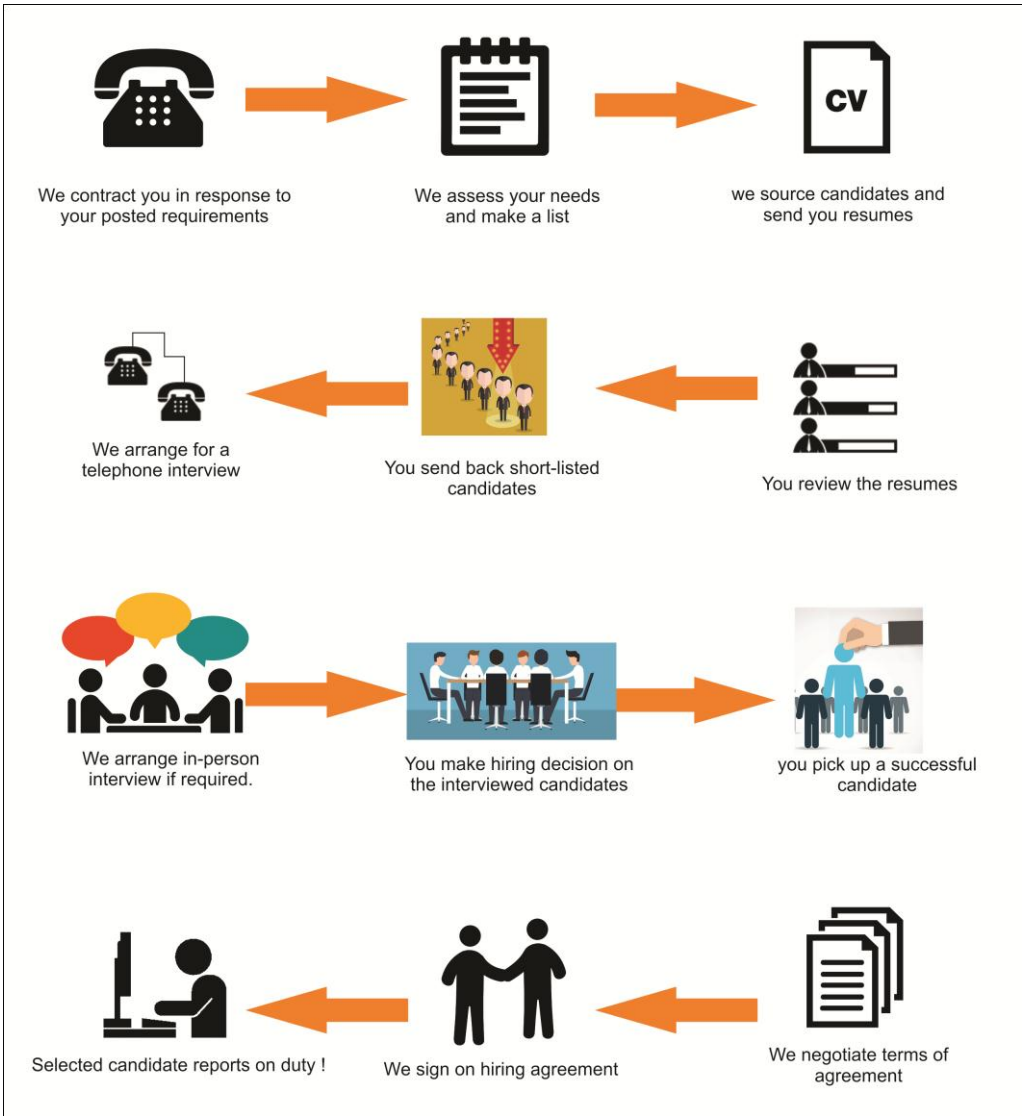


Fig 3.4 Staffing Process of a firm

3.2.4 Staffing Process-Steps involved in Staffing

Following are the steps involved in staffing:

- **Manpower requirements:** It is seen that the first step towards staffing is planning of good manpower which will match the need of particular work.
- **Recruitment:** As per the demand from the organisation, the applications of concerned workers are entertained as per invitations by company to the desired candidate.
- **Selection:** After receiving applications from candidates, they are scanned as per suitability of position and candidature.
- **Orientation and Placement:** After a job proposal is given to the candidate, the initial work is to make the candidate familiar with working style and environment.
- **Training and Development:** Training is part of inducements which is provided to worker so as to frame and grow as per the concern. It involves working capability and scope.
- **Remuneration:** It is the sort of compensation which is paid by the concern to the new joiners. It depends on nature of job skilled or unskilled, physical or mental, etc.
- **Performance Evaluation:** Performance evaluation is a method which will record candidate behaviour, attitudes and progress. It involves regular assessment based on reports from different departments.
- **Promotion and transfer:** It involves transfer in job sector and level which depends on past performance of the candidate. It is non- monetary incentive.

Check your progress 1

1. _____is part of incentives served to workers so as to develop and grow within the concern.

   a. Training.
   c. Remuneration.
   b. Development.
   d. Selection.

2. _____is a kind of compensation giving monetarily to employees based on work performances.

a. Remuneration. c. Selection.

b. training. d. Training.

3.3 Manpower Planning

It is termed as Human Resource Planning which concerns with the matching of correct number and correct kind of people at correct place at correct time with correct things that will suit to get organisational goals.

Human Resource Planning has an important place in the arena of industrialization. Human Resource Planning should take on a systems approach and should be carried out as a set procedure.



Fig 3.5 Manpower planning

Steps in Manpower Planning:

Following are the steps for manpower planning:

- **Analysing the current manpower inventory:** Before a manager makes forecast of future manpower, the current manpower status has to be analysed.

For this, the following things have to be noted:

  - Type of organisation
  - Number of departments
  - Number and quantity of such departments
  - Employees in these work units

  Based on this data, the manager scrutinises the needs of each department and then moves on to future forecasting.

- **Making future manpower forecasts**: Once the factors affecting the future manpower forecasts are known, planning can be done for the future manpower requirements in several work units.

  The Manpower forecasting techniques commonly employed by the organisations are as follows:

  - **Expert Forecasts:** This includes informal decisions, formal expert surveys and Delphi technique.
  - **Trend Analysis:** Manpower needs can be projected through extrapolation (projecting past trends), indexation (using base year as basis) and statistical analysis (central tendency measure).
  - **Workload Analysis:** It is dependent upon the nature of workload in a department, in a branch or in a division.
  - **Work Force Analysis:** Whenever production and time period has to be analysed, due allowances have to be made for getting net manpower requirements.
  - **Other methods:** Several Mathematical models, with the aid of computers, are used to forecast manpower needs, like budget and planning analysis, regression and new venture analysis.
  - **Developing employment programmes:** Once the current inventory is compared with future forecasts, the employment programmes can be framed and developed accordingly, which will include recruitment, selection procedures and placement plans.

- **Design training programmes:** These will be based upon extent of diversification, expansion plans, development programmes, etc. Training programmes depend upon the extent of improvement in technology and advancement to take place. It is also done to improve upon the skills, capabilities and knowledge of the workers.

Check your progress 2

1. Man Power Planning is also called

   a. Human Resource Planning.

   b. Resource Planning.

   c. Human Planning.

   d. Personnel Planning.

2. It is dependent upon the nature of workload in a department, in a branch or in a division

   a. Workload analysis.

   b. Workforce analysis.

   c. Trend analysis.

   d. None of the above.

3.4 Recruitment

"Recruitment is the process of searching the candidates for employment and stimulating them to apply for jobs in the organisation." Recruitment is the activity that links the employers and the job seekers.

According to Dale Yoder of Stanford University, recruitment can be defined as:

"It is the process to discover sources of manpower to meet the requirement of staffing schedule and to employ effective measures for attracting that manpower in adequate numbers to facilitate effective selection of an efficient working force".



Fig 3.6 Recruitment

"Recruitment of candidates is the function preceding the selection which helps to create a pool of perspective employees for the organisation so that the management can select the right candidate for the right job from this pool. The main objective of the recruitment process is to expedite the selection process".

- **Recruitment Process**

Recruitment process is the first step towards crafting the competitive strength and the strategic advantage for the organisations. Recruitment process encompasses a systematic procedure from narrowing down on the candidates to arranging and conducting the interviews and requires many resources and time.

  - Identify vacancy.
  - Prepare job description and person specification.
  - Advertise the vacancy.
  - Manage the response.
  - Short-list candidates.
  - Arrange interviews.
  - Conduct interview and decision-making analysis activities.

- **Factors Affecting Recruitment**

The internal forces or factors are the factors that can be organised by the administration. In addition, the external factors are those factors, which cannot be

controlled by the organisation implementing recruitment programmes and procedures by filling up vacancies with best qualified people.

Internal Factors Affecting Recruitment

The internal forces i.e. the factors that can be controlled by the organisation are:

- Recruitment Policy
- Human Resource Planning
- Size of the firm
- Cost
- Growth and Expansion

External Factors Affecting Recruitment

The external forces are the forces, which cannot be controlled by the organisation. The major external forces are:

- Supply and Demand
- Labour Market
- Unemployment rate
- Competitors

Types and Sources of Recruitment

Recruitment is of two types:

1. Internal Recruitment

It is a recruitment, which takes place within the concern or organisation. Internal sources of recruitment are readily available to an organisation.

Internal recruitment may leads to increase in employee's productivity as their motivation level increases. It also avoids wastage of time, money and efforts. But a drawback of internal recruitment is that it restricts the organisation from inviting new blood. In addition, not all the manpower requirements can be met through internal recruitment. Hiring from outside has to be done.

There are primarily three internal sources for recruitment:

- Transfers
- Promotions

- Re-employment of ex-employees

2. External Recruitment

External sources of recruitment have to be solicited from outside the organisation. External sources are external to a concern. However, it involves lot of time and money. The external sources of recruitment include:

- Employment at Factory Level
- Advertisement
- Employment Exchanges
- Employment Agencies
- Educational Institutions
- Recommendations
- Labour Contractors

Check your progress 3

1. It is the process of searching the candidates for employment and stimulating them to apply for jobs in the organisation

   a. Recruitment.

   b. Selection.

   c. Training.

   d. Development.

2. It is type of recruitment which has to be solicited from outside the organisation.

   a. External Recruitment.

   b. Internal Recruitment.

   c. Inside Recruitment.

   d. None of the above.

3.5 Selection

Selection is the process of hiring the right candidates for the right job. It is a technique of corresponding organisational requirements with the skills and qualifications of people. Effective selection can be done only when there is effective matching.

On selecting appropriate candidate for a particular job, the organisation will receive quality performance and more output. It saves time and increases productivity with less wastage. A screening of candidate is done at the time of selection procedure.



Fig 3.7 Selection

It is seen that a selection is different from recruitment since both are related with employment process. With recruitment, the motivation exists with several candidates applying for particular job profile. On the other hand, selection exists as reverse process which is not correct as it detained candidates.

Distinction between Recruitment and Selection

- Recruitment precedes selection in staffing process. Selection involves choosing the best candidate with best abilities, skills and knowledge for the required job.

Table Distinction between Recruitment and Selection

Sr. No.	Basis	Recruitment	Selection
1.	Meaning	It is an activity of establishing contact between employers and applicants.	It is a process of picking up more competent and suitable employees.
2.	Objective	It encourages large number of candidates for a job.	It attempts at rejecting unsuitable candidates.
3.	Process	It is a simple process.	It is a complicated process.
4.	Hurdles	The candidates do not have to cross many hurdles.	Many hurdles have to be crossed.
5.	Approach	It is a positive approach.	It is a negative approach.
6.	Sequence	It precedes selection.	It follows recruitment.
7.	Economy	It is an economical method.	It is an expensive method.
8.	Time Consuming	Less time is required.	More time is required.

Employee Selection Process

The employee selection process takes place in the following order:

- Preliminary Interviews
- Application blanks
- Written Tests
- Employment Interviews
- Medical examination
- Appointment Letter

Check your progress 4

1. It is the process of putting right men on right job.

   a. Selection.

   b. Recruitment.

   c. Training.

   d. Development.

2. It is an activity of establishing contact between employers and applicants.

   a. Recruitment.

   b. Selection.

   c. Training.

   d. Development

3.6 Orientation and Placement

Once the candidates are designated for the required job, they have to be tailored as per the qualifications. Placement is said to be the process of fitting the selected person at the right job or place, i.e. fitting square pegs in square holes and round pegs in round holes. Once he is designated for the job, he is given the undertakings he has to perform and told about his duties. The freshly appointed candidates are then given orientation in order to acquaint and introduce the company to him. Generally, the information given during the orientation programme includes:

- Employee's layout
- Type of organisational structure
- Departmental goals
- Organisational layout
- General rules and regulations
- Standing Orders
- Grievance system or procedure

In short, during orientation, employees are acquainted with the mission and vision of the organisation, the nature of operation of the organisation, policies and programmes of the organisation.

The main aim of steering orientation is to build up confidence, the morale and trust of the employee in the new organisation, so that he develops into a productive and an efficient employee of the organisation and contributes to the organisational success.



Fig 3.8 Orientation

The nature of the orientation program varies with the organisational size, i.e., smaller the organisation the more informal is the orientation and larger the organisation more formalized is the orientation programme.

Proper placement of employees will lower the chances of employee's absenteeism. The employees will be more satisfied and contended with their work.

Check your progress 5

1. _____is the process of adjusting selected person at correct job.

a. Placement. c. Training.

b. Selection. d. Development.

3.7 Training

Training of employees is the step subsequent to orientation. Training is the process of augmenting the skills, capabilities and knowledge of employees for doing a particular job. Training process shapes the thinking of employees and leads to quality performance of employees. It is a continuous and never ending in nature.



Fig 3.9 Training

Importance of Training

Training is decisive for organisational development and success. It is rewarding to both employers and employees of an organisation. An employee will become more efficient and productive if he is trained well. Training is given on four basic grounds:

- New candidates who join an organisation are furnished with appropriate training. This training familiarizes them with the organisational mission, vision, rules and regulations and the working conditions.
- The existing employees are trained to refresh and enhance their knowledge.
- If there is a technological wave, training is given to cope up with the new vicissitudes, e.g. purchasing new equipment, changes in technique of production, computer impartment. The employees are trained about use of new equipment and work methods.

- When promotion and career growth becomes important, training is given so that employees are prepared to share the responsibilities of the higher level job.

Benefits of Training

The benefits of training can be summed up as:

- Improves morale of employees
- Less supervision is required
- Fewer accidents occur
- Chances of promotion
- Increased productivity

Ways/Methods of Training

Training is generally imparted in two ways:

1. On job training:

On the job training methods are those which are provided to the employees within the daily functioning of a concern. It is a simple and cost-effective training method. The proficient as well as semi- proficient employees can be well trained by using such training method. The employees are trained in actual working scenario. The motto of such training is "learning by doing." Instances of such on-job training methods are job-rotation, coaching, temporary promotions, etc.



Fig 3.10 On job Training

2. Off job training

Off the job training methods are those in which training is provided away from the genuine working condition. It is generally used in case of new employees. Instances of off the job training methods are workshops, seminars, conferences, etc. Such method is costly and is effective if and only if large number of employees have to be trained within a short time period. Off Job training is also called as vestibule training, i.e. the employees are trained in a separate area (may be a hall, entrance, reception area, etc., known as a vestibule) where the actual working conditions are duplicated.



Fig 3.11 Off the job training

Check your progress 6

1. Training in which training is provided away from the actual working condition.

   a. Off the job training.

   b. On the job training.

   c. Internal training.

   d. External training.

3.8 Remuneration of Employees

In job, remuneration refers to as reward or compensation which is disseminated to various employees based on their working capability and performance. It shows basic attraction to an employee in order to work professionally and successfully.

In job, a financial remuneration or salary works as an important source of income for employees with which the standard of their living depends. Different salary slabs are provided for different levels in an organisation.



Fig 3.12 Remuneration

So it is seen that the amount and remuneration serves as an important aspect for both management and employees.

Methods of Employee Remuneration

1. Time Rate Method

In this, remuneration is allied directly with amount of time devoted by employee to a precise work. The amount of payment can be hourly, daily, weekly

or monthly irrespective of their output. This of course is the simplest system of remuneration where there appears minimum wastage of resources and low accidental charges.

It is the best way to generate quality output and is favourable for new employees. It gives motivation to employee's unity as employees of a particular group or cadres get equal salaries.

2. Piece Rate Method

This method relates with method of compensation where remuneration is paid on basis of pieces generated or produced by an employee. In this, the determination of employee cost/unit is not hard as their salary varies with output. Since the salary here depends on employee output, so this method helps in improving the morale of employees. With this type of method, the work efficiency increases.

Check your progress 7

1. Under _____, remuneration is linked with time devoted by employee on particular work.

   a. Time Rate System.

   b. Piece Rate System.

   c. Volume Rate System.

   d. None of the above.

2. _____is a method of compensation where remuneration is paid on basis of units produced.

   a. Piece vs Rate System.

   b. Time Rate System.

   c. Volume Rate System.

   d. None of the above.

3.9 Performance Appraisal

A performance appraisal, employee appraisal, performance review or career development discussion is an approach where a job performance of an employee is calculated by its immediate manager or supervisor.



Fig 3.13 Performance Appraisal

A performance appraisal is a part of building and managing career development. It is the process within which there is a procurement of information, which is further analysed and this recorded information will provide information about the relative worth of an employee to the organisation.

Performance appraisal is an analysis of an employee's recent successes and failures, personal strengths and weaknesses and suitability for promotion or further training. It is also the judgment of an employee's performance in a job based on considerations other than productivity alone.

Aims of Performance Appraisal

Generally, the idea of performance appraisal is to:

- demonstrate employees the feedback based on their workability
- find the employee training requirements
- lay the benchmarks applied in order to give organisational rewards
- Design the ground for personnel issues such as salary increases, promotions, disciplinary actions, bonuses, etc.

- give an opportunity for organisational diagnosis and development
- make possible communication between the employee and administration
- confirm the techniques involved in selection and human resource policies to match federal requirements
- enhance performance by way of counselling, coaching and working

Advantages of Performance Appraisal

The performance appraisal has following advantages:

- **Promotion:** It will help supervisors to think about promotions for particular employee based on his/her capability.
- **Compensation:** It helps in listed out compensation packages for employees based on their performance result.
- **Employees' development:** It will find out the strengths and weaknesses of employees for correct types of training.
- **Selection validation:** It helps an employer to know about the efficiency and importance of selection process by knowing its strengths and weaknesses.
- **Communication:** It helps to build an effective communication model among employees and employers.
- **Motivation:** In this, the performance appraisal will work as motivation tool.

Check your progress 8

1. It is a part of building and managing career development.

   a. Performance Appraisal.

   b. Promotion.

   c. Transfer.

   d. Compensation.

3.10 Promotion and Transfer

Promotion is said to be an incentive in which the worker is shifted to a higher job with higher salary and demanding bigger responsibilities.

Transfer is a case of shifting the workers and transferring them to different work units and branches of the same organisation.



Fig 3.14 Promotion

Promotion

A few companies have a precise policy in this regard while certain organisations issue circulars as and when required. Many companies develop policies over a period through settlements and agreements with the workers/unions. In promoting employees, consideration should be given for establishment of the horizontal or vertical promotion. The desirability of securing assistants who complement rather than supplement their superiors is the major point in a successive plan, which is an integral part of manpower planning.

According to Dale Yoder, it is a “movement to a position in which responsibilities and presumably the prestige are increased. Promotion involves an increase in rank ordinarily; promotion is regarded as a change that results in higher earnings, but increased earnings are essential in a promotion." This definition talks of both vertical and horizontal promotions.

According to Scott and Clothier, “A promotion is the transfer of an employee to a job which pays more money or one that carries some preferred status."

Therefore, a promotion may be defined as: "an upward advancement of an employee in an organisation to another job, which commands better pay/wages, better status/prestige and higher opportunities/challenges, responsibility and authority, better working environment, hours of work and facilities and a higher rank."

Purposes of Promotion

- To motivate employees to higher productivity.
- To attract and retain the services of qualified and competent people.
- To recognize and reward the efficiency of an employee.
- To increase the effectiveness of the employee and of the organisation.
- To fill up higher vacancies from within the organisation.
- To foster loyalty, morale and a sense of belongingness in the employee.
- To impress upon others that opportunities are available to them also in the organisation, if they perform well.

Types of Promotion

- **Horizontal Promotion:** Promotion involves an increase in responsibilities and pay and a change in designation. However, the employee concerned does not transgress the job classification, e.g. a lower division clerk is promoted as an upper division clerk. This type of promotion is referred to an upgrading of the position of an employee.
- **Vertical Promotion:** A promotion is vertical when a clerk is promoted to an unskilled job. The concerned employee naturally transgresses the job classification.
- **Dry Promotions:** Dry promotion refers to an upsurge in responsibilities and status only.

Transfer



Fig 3.15 Transfer

Pigors and Meyers: Consider transfer as "the movement of an employee from one job to another on the same occupational level and at about the same level of wages or salary" No appreciable change in task or responsibility is expected.

Scott and others define transfer as “the movement of an employee from one job to another. It may involve a promotion, demotion or no change in job status other than moving from one job to another."

“A transfer may be defined as a change in job within the organisation where the new job is equal to the old in terms of pay, status and responsibilities”: T .N. Chhabra

“A lateral shift causing movement of individuals from one position to another usually without involving any marked change in duties, responsibilities, skills needed or compensation”: C.B.Gupta

Need and Purpose of Transfer

- **To meet organisation needs:** Companies may transfer employees due to:
    - Change in volume of production
    - Change in technology
    - Change in production schedule
    - Change in product line

- Change in organisation structure

- **To satisfy the employee needs:** Employees may request their transfer due to**:**
  - Dislike of boss or fellow workers
  - Lack of opportunities for future advancement
  - Personal problems
- **To better utilize employees:**
  - The employee maybe transferred because the management feels that his capabilities would be better utilized elsewhere.
  - An employee who is not performing satisfactorily may be more suitable in another job.
- **To make the employee more versatile:** The employees may be transferred to different jobs to:
  - Widen their knowledge and skills
  - Reduce monotony and as a method of training
- **To adjust the workforce:** Workers are transferred from the surplus department or plant to another subsidiary where there is shortage of staff.
- **To provide relief:** It gives relief to the employees who are overburdened or doing risk work for long period.
- **To punish employees:**
  - Employees indulging in undesirable activities may be transferred to remote places or to some other jobs.
  - It is in the form of disciplinary action.
  - Transfers are made because permanent stay may cause frauds, bribery, etc.

Types of Transfers

Transfers may be classified into five types:

1. Production transfer
2. Shift transfer

3. Replacement transfer
4. Remedial transfer
5. Versatility transfer

1. **Production transfer:** Such transfers are made when there is a need of manpower in one department and surplus manpower in the other. Such transfers help to stabilise employment and effectively distributes the costs incurred.
2. **Shift transfer:** Employees may be moved from one shift to another for personal reasons, e.g. marriage, infant care, old parents.
3. **Replacement Transfer:** It is used when all operations are declining and to retain long-service employees as long as possible. The long-standing employee replaces a new employee and thereby gets relief from the heavy pressure of work.
4. **Remedial Transfer:** Such transfers are made to rectify mistakes in selection and placement. These transfers are affected at the request of the employees which after scrutiny is considered to be a valid one and is therefore, called personal transfer.
5. **Versatility Transfer:** It is affected to make employees versatile and competent in more than one skill. It helps to reduce boredom and monotony.

Benefits of Promotion and Transfer

- Useful in productivity and effectiveness of the organisation
- Greater job satisfaction to employees
- Stabilisation of fluctuating work needs
- Improved employee skills
- Remedy for faulty placement
- Improved labor relations

Check your progress 9

1. It is used when all operations are declining and to retain long-service employees as long as possible. The long-standing employee replaces a new employee and thereby gets relief from the heavy pressure of work.

   a. Replacement Transfer.

   b. Shift Transfer.

   c. Production Transfer.

   d. Remedial Transfer.

2. It is affected to make employees versatile and competent in more than one skill. It helps to reduce boredom and monotony.

   a. Versatility Transfer.

   b. Remedial Transfer.

   c. Production Transfer.

   d. Shift Transfer.

3.11 Let Us Sum Up

In this unit we have learnt that the managerial function of staffing involves manning the organisation structure by proper and effective selection, appraisal and development of personnel to comply with the roles assigned to employers/workforce.

It is seen that the nature of staffing possesses certain characteristics such as it serves as an important managerial function, pervasive activity, continuous activity, basis of staffing function relates to efficient management of personnel and helping to place right men at right job.

It is studied that importance of staffing relates to basic managerial functions, building healthy human relationships, human resources development, long term effect and potential contribution.

It is learned that manpower planning is a Human Resource Planning in which involves the tedious process of placing the right number and right kind of people at right place at right time, to do right things as per their calibre.

In companies, recruitment serves as a process of tracking potential candidates for employment and stimulating them to apply for jobs in an organisation. It is an activity that links the employers and the job seekers.

As seen, placement is said to be process of fitting the selected person at the right job or place, i.e. fitting square pegs in square holes and round pegs in round holes. Once he is fitted into the job, he is given the activities he has to perform and told about his duties. The freshly appointed candidates are then given orientation in order to familiarize and introduce the company to him.

Training is the process of enhancing the skills, capabilities and knowledge of employees for doing a particular job. Training process moulds the thinking of employees and leads to quality performance of employees. It is continuous and never ending in nature.

Employee Remuneration refers to the financial reward or compensation given to the employees for their work performances. It is the result of the entire process. Remuneration provides basic attraction to an employee to perform job efficiently and effectively. Remuneration leads to employee motivation.

3.12 Answers for Check Your Progress

Check your progress 1

Answers: (1-a), (2-a)

Check your progress 2

Answers: (1-a), (2-a)

Check your progress 3

Answers: (1-a),

Check your progress 4

Answers: (1-a), (2-a)

Check your progress 5

Answers: (1-a), (2-a)

Check your progress 6

Answers: (1-a)

Check your progress 7

Answers: (1-a), (2-a)

Check your progress 8

Answers: (1-a), (2-a)

Check your progress 9

Answers: (1-a)

3.13 Glossary

1. **Staffing -** The process by which organisations meet their human resource needs, including forecasting future requirements, recruiting and selecting candidates and orienting new employees.

3.14 Assignment

What is staffing? What are the characteristics and steps involved in staffing process?

3.15 Activities

1. Differentiate between recruitment and selection. What is the difference between promotion and transfer?
2. Why is manpower planning required in an organisation?

3. Distinguish between training and orientation. Elaborate on the ways/methods of training.

3.16 Case Study

What innovative ideas can you implement for avoiding absenteeism in your firm?

3.17 Further Readings

1. Principles of Management, B.S. Moshal, Galgotia Publications.
2. Management Text and Cases, VSP Rao and V. Hari Krishna, published by Anurag Jain for Excel books.
3. Principles of Management, Edition 2, P. C. Tripathi and P. N. Reddy, Tata McGraw Hill Publishing Company.
4. Essentials of Management, Harold Koontz and Heinz Weihrich, Tata McGraw Hill.

Block Summary

In this block, students will be given with an idea about Planning and Decision Making with necessary features involved in organising and organisational structure with emphasize on various recruitment and staffing processes. These are important in areas of principles of management where every effort was made to provide proper and accurate knowledge that is required for student or any user with simple and concise explanation.

The block meticulously sketched the basics of plan and planning with use of different plans. The information about organising and planning with certain principles along with various functions are shown with illustrations. The block covers a broad ambit of information about nature, role and importance of staffing along with manpower recruitment and planning process which can be required by the students in an organisation.

After this block, students of management will able to know and gather knowledge about how the staffing which is currently an essential tool to work in an organisation. Various process and procedures are highlighted for students' interest which could of help to them in near future.

Block Assignment

Short Answer Questions

1. Decision-making process.
2. Guidelines for making effective decisions.
3. Types and sources of recruitment.
4. Types of transfers.
5. Importance of staffing.
6. Performance appraisal.

Long Answer Questions

1. What is Decision-Making? Give its characteristics.
2. What is “on the job” and “off the job training”?
3. Explain types of promotions and types of transfers.

Enrolment No.

1. How many hours did you need for studying the units?

Unit No	**1**	**2**	**3**	**4**
Nos of Hrs				

2. Please give your reactions to the following items based on your reading of the block:

Items	Excellent	Very Good	Good	Poor	Give specific example if any
Presentation Quality	☐	☐	☐	☐	_____
Language and Style	☐	☐	☐	☐	_____
Illustration used (Diagram, tables etc)	☐	☐	☐	☐	_____
Conceptual Clarity	☐	☐	☐	☐	_____
Check your progress Quest	☐	☐	☐	☐	_____
Feed back to CYP Question	☐	☐	☐	☐	_____

3. Any Other Comments

……
……
……
……
……
……
……
……



Education is something which ought to be brought within the reach of every one.

- Dr. B. R. Ambedkar

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PRINCIPLES OF MANAGEMENT

PGDBA-101



BLOCK 3:
DIRECTION, SUPERVISION AND CONTROLLING AND CO-ORDINATION

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PRINCIPLES OF MANAGEMENT

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ROLE OF SELF INSTRUCTIONAL MATERIAL IN DISTANCE LEARNING

The need to plan effective instruction is imperative for a successful distance teaching repertoire. This is due to the fact that the instructional designer, the tutor, the author (s) and the student are often separated by distance and may never meet in person. This is an increasingly common scenario in distance education instruction. As much as possible, teaching by distance should stimulate the student's intellectual involvement and contain all the necessary learning instructional activities that are capable of guiding the student through the course objectives. Therefore, the course / self-instructional material are completely equipped with everything that the syllabus prescribes.

To ensure effective instruction, a number of instructional design ideas are used and these help students to acquire knowledge, intellectual skills, motor skills and necessary attitudinal changes. In this respect, students' assessment and course evaluation are incorporated in the text.

The nature of instructional activities used in distance education self-instructional materials depends on the domain of learning that they reinforce in the text, that is, the cognitive, psychomotor and affective. These are further interpreted in the acquisition of knowledge, intellectual skills and motor skills. Students may be encouraged to gain, apply and communicate (orally or in writing) the knowledge acquired. Intellectual-skills objectives may be met by designing instructions that make use of students' prior knowledge and experiences in the discourse as the foundation on which newly acquired knowledge is built.

The provision of exercises in the form of assignments, projects and tutorial feedback is necessary. Instructional activities that teach motor skills need to be graphically demonstrated and the correct practices provided during tutorials. Instructional activities for inculcating change in attitude and behavior should create interest and demonstrate need and benefits gained by adopting the required change. Information on the adoption and procedures for practice of new attitudes may then be introduced.

Teaching and learning at a distance eliminates interactive communication cues, such as pauses, intonation and gestures, associated with the face-to-face method of teaching. This is particularly so with the exclusive use of print media. Instructional activities built into the instructional repertoire provide this missing interaction between the student and the teacher. Therefore, the use of instructional activities to affect better distance teaching is not optional, but mandatory.

Our team of successful writers and authors has tried to reduce this.

Divide and to bring this Self Instructional Material as the best teaching and communication tool. Instructional activities are varied in order to assess the different facets of the domains of learning.

Distance education teaching repertoire involves extensive use of self-instructional materials, be they print or otherwise. These materials are designed to achieve certain pre-determined learning outcomes, namely goals and objectives that are contained in an instructional plan. Since the teaching process is affected over a distance, there is need to ensure that students actively participate in their learning by performing specific tasks that help them to understand the relevant concepts. Therefore, a set of exercises is built into the teaching repertoire in order to link what students and tutors do in the framework of the course outline. These could be in the form of students' assignments, a research project or a science practical exercise. Examples of instructional activities in distance education are too numerous to list. Instructional activities, when used in this context, help to motivate students, guide and measure students' performance (continuous assessment)

PREFACE

We have put in lots of hard work to make this book as user-friendly as possible, but we have not sacrificed quality. Experts were involved in preparing the materials. However, concepts are explained in easy language for you. We have included many tables and examples for easy understanding.

We sincerely hope this book will help you in every way you expect.

All the best for your studies from our team!

PRINCIPLES OF MANAGEMENT

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Informal Organisation - Meaning, Characteristics, Importance, Limitations, difference between formal and informal organisation. Need to Add

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---

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---

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Meaning, Definition, Elements, Scope and Dimensions, Process, Importance, Strategic Decisions, SWOT Analysis

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PRINCIPLES OF MANAGEMENT

BLOCK 3: DIRECTION, SUPERVISION AND CONTROLLING AND CO-ORDINATION

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BLOCK 3: DIRECTION, SUPERVISION AND CONTROLLING AND CO-ORDINATION

Block Introduction

Directions, Supervision, Co-ordination and Controlling are considered to be the most significant functions in management. A management purposes on getting things done through others. Therefore directions have to be given to the workforce and once the direction has been given to the work force the next comes the supervision i.e. whether the workforce is working as per the directions or not. Lastly the controlling function comes. It is the duty of the management to measure the level of achievement of desired goals and if deviations are there then to find out the reasons for that and take necessary steps so that such deviations may not arise again in future.

In this block we will comprehend the concept of directing and its features and principles. The basic of supervisor and his duties along with knowledge of supervision is also explained. The knowledge about process controlling and its features along with merits and demerits will be explained. The understanding about Co-ordination and its process will be detailed.

Once the student has read this block, he/she will find it easier to handle situation if it arises in case of supervision and Co-ordination activities between workers and management. The features of Co-ordination and control will help them to get knowledge about related concept that appears in day to day life.

Block Objective

After learning this block, you will be able to understand:

- The Concept about managerial functions.
- The Features involved in directing.
- Basic about supervision.
- Principles involved in Co-ordination.
- Features about directing and its necessity.
- Role of supervisor.

Direction, Supervision And Controlling And Coordination

- Knowledge about controlling.
- Qualities of good system.
- Purpose and need of Co-ordination.

Block Structure

Unit 1: Direction and Supervision

Unit 2: Controlling and Co-ordination

UNIT 1: DIRECTION AND SUPERVISION

Unit Structure

1.0 Learning Objectives

1.1 Introduction

1.2 Direction

1.2.1 Definition of Directing

1.2.2 Nature of Directing

1.2.3 Need and Importance of Directing

1.2.4 Principles of Directing

1.3 Supervision

1.3.1 Role of a Supervisor

1.3.2 Functions of a Supervisor

1.3.3 Effective Supervision

1.4 Direction and Supervision

1.5 Let Us Sum Up

1.6 Answers for Check Your Progress

1.7 Glossary

1.8 Assignment

1.9 Activities

1.10 Case Study

1.11 Further Readings

1.0 Learning Objectives

After learning this unit, you will be able to understand:

- Nature and need of Directing.
- Importance and principles of Directing.
- Supervision.
- Role and functions of a Supervisor.

1.1 Introduction

In the previous unit, you learned about Staffing which is one of the most important functions of management. It comprises managing manpower in an organisation involving the identification of requirement of personnel, their recruitment, selection, training, development, appraisal, promotion, transfer, compensation, etc. in an organisation.



Fig 1.1 Introductions

In this unit, you will learn about direction. Every manager, to get things done by subordinates, has to direct them. The directing is considered as an initiating function. Here you will study about direction and supervision. Motivation, Leadership and Communication are discussed in the next chapter.

1.2 Direction

In the process of management, the planning organising and staffing are not enough. These are to be supported by effective directing and efficient controlling. Every manager must direct his subordinates, to get things done. The directing is considered as an initiating function.

Organisation is the sum-total of human and non-human resources. These resources are utilised in apt ways in order to achieve the desired results. Through direction, the management conveys and motivates individuals in the organisation to function in the desired way to get organisational objectives. Without direction, other managerial activities like planning, organising, and staffing become ineffective.



Fig 1.2 Directing and Supervising

Here the manager will direct, instruct, guide and oversee the presentation of every workers so as to obtain already defined goals. It is the main part of the management process which is responsible for planning, organising, staffing.

Direction would primarily include human factors that explain guidance to workers in order to do work. In case of management, direction refers to activities that are shaped to inspire subordinates in order to work efficiently and professionally.

1.2.1 Definition of Directing

In the words of Urwick and Brech, "directing is the guidance, the inspiration, the leadership of those men and women that constitutes the real core of the responsibility of management."

Thus directing involves, issuing orders and instructions, overseeing of the subordinates and supervising the work being performed by them.

According to Haiman, "Directing consists of a process or technique by which instruction can be issued and operations can be carried out as originally planned." Broadly, the process of directing involves the following elements:

- Issuing orders and instructions to the subordinates regarding the work being performed by them.
- Guiding, counselling and educating the subordinates and telling them the way of doing the given job.
- Supervising the work being performed by them on the regular basis to ensure that they have been working according to the plan.

- Maintaining and inspiring the subordinates for following given orders and instructions and working in the given direction.

1.2.2 Nature of Directing

There are certain characteristics related to directing which are:

1. **Pervasive Function**: As directing is essential at every levels in an organisation, so it is the duty of the manager to give related guidance and to boost his subordinates.
2. **Continuous Activity**: In an organisation, direction serves as continuous activity throughout life in an organisation.
3. **Human Factor**: It is seen that directing is associated with subordinates and as human factor. As both are complex and unpredictable, hence direction serves as an important part.
4. **Creative Activity**: With direction, you can alter any plans into performance as in the absence of this; people will become stationary and physical resources results in no meaning.
5. **Executive Function**: As seen, direction is done with all managers and executives at certain levels without working of an enterprise.
6. **Delegate Function:** It is a function which is related to direction that deals with human beings.

1.2.3 Need and Importance of Directing

Directing is at the core of managing process. The presentations of various accomplishments in organisation revolve around it. In spite of sound planning, a suitable organisational structure, effective staffing and efficient controlling, the desired results may not be obtained without proper directing. It is only through directing process, the organisational actions are commenced for attaining its objectives.

In detail, the importance of directing can be understood on the basis of the following factors.

1. **Directing helps in achieving Co-ordination:** The Co-ordination is considered as a by-product of effective directing. In the process of directing, every manager assimilates the activities of all the subordinates through

supervision, guidance and counselling for achieving pre- set organisational goals.

2. **It is a means of motivation:** To accomplish the-objectives of organisation, it is necessary to encourage the workforce there. The employees are motivated to work willingly and efficiently, through the process of directing. The superior who guides the activities of underlings stimulates them to follow given orders and instructions whole-heartedly.

3. **Directing supplements other managerial functions:** In the process of managing, the manager has to perform many management functions such as planning organising, staffing and controlling etc. To achieve desired results from all these functions, the directing function is crucial. Through directing, other managerial functions are initiated and actuated. With ineffective directing, the managerial functions remain less effective or completely ineffective.

4. **Directing helps in coping with changing environment:** The changing business environment may force the organisation to initiate change in its functioning, structure or goals. Such changes can be presented and managed effectively with the help of directing. Through directing, the manager provides vibrant headship and free and frank communication with subordinates as to convince them regarding the positive side of change. They may be taken into confidence and persuaded for accepting the change and giving their full cooperation for implementing it.

5. **Directing facilitates order and discipline among employees:** Disciplined workforce is needed for the effective organisational operations. Through the process of directing briefings and instructions are given to the subordinates and they are inspired and motivated to follow them. The main purpose of directing is to get things done by subordinates. By supervising, guiding, educating and overseeing the activities of subordinates, they are made to work in a disciplined manner.

1.2.4 Principles of Directing

In order to make directing more effective and meaningful, certain principles are followed. Some important principles of directing are as follows:

1. **Harmony of objectives:** The establishment is a collective entity of the people. It embodies the interest of various groups of the people such as owners, employees, customers, financiers and the society etc.

According to this principle, to secure maximum prosperity for the organisation and to work for the interest of other groups in a better way, all conflicting objectives must be synchronized so that they strengthen and promote each other. In this regard, F.W.Taylor has painted out that an effective direction depends on the harmony of objectives.

Interestingly enough, Henri Fayol talks about the sacrifice of their personal interest for achieving the objectives of organisation, because their personal interest may be served better only if a common goal of organisation is achieved efficiently.

2. **Unity of command:** According to this principle while directing subordinates, every subordinate should get all orders and instructions regarding the work only from one superior. An application of this principle implies unified direction of subordinates' activities by one superior. In doing so, discipline can be maintained among them their activities can be controlled effectively and dual command is avoided.

3. **Direct supervision:** Directing becomes more effective if it is complemented by the personal touch of the superior. The superior maintains direct contact with subordinates, looks into their needs and requirement, helps them in performing their job and solve their difficulties promptly. The subordinates who are content tend to contribute more for the accomplishment of organisational goals.

4. **Participative leadership:** It is interesting to observe that participative leadership on the part of superior helps in making directing more effective. If the superior respects and listens to the views of subordinates, they become more loyal and sincere and give more cooperation to him. According to this principle to encourage the performance levels, subordinates should be taken into confidence and must be consulted at least on the matters that are related to them before making decision by the superior.

5. **Follow up**: Issuing orders and instructions is the chief task of direction. In order to make directing, more effective it is necessary to take up some follow up actions by the superior. He should motivate subordinates to follow given directives and work accordingly. He must be vigilant when he oversees the working of subordinates, check their performance and guide them to follow suitable course of action for doing the Job.

6. **Unity of direction:** In order to get the entire organisation functional is absolutely quintessential to make the whole process of directing more

meaningful which makes it imperative to follow the principle of unity of direction. According to this principle, there should be one head and one plan for a group of activities, which are similar and have same objective. For example, all activities related to production should have one plan i.e. the production plan and this plan should be implemented under the command of production manager. By adopting this principle, duplication and repetition of activities is curtailed and benefits of specialisation are secured.

Check your progress 1

1. According to this principle, there should be one head and one plan for a group of activities, which are similar and have same objective. For example, all activities

   a. Unity of direction.

   b. Unity of command.

   c. Direct Supervision.

   d. Participative Leadership.

2. According to this principle while directing subordinates, every subordinate should get all orders and instructions regarding the work only from one superior.

   a. Unity of Command.

   b. Unity of direction.

   c. Direct Supervision.

   d. Participative Leadership.

1.3 Supervision

The act of supervision entails overseeing and administering the tasks of underlings who may lack full knowledge of the concept at hand. Supervision does not mean control of another but guidance in a work, professional or personal context.

There are several elucidations of the term "supervision," but typically, supervision is the activity carried out by supervisors to manage the productivity and progress of employees who report directly to the supervisors. For example,

first-level supervisors supervise entry-level employees. Depending on the size of the organisation, middle managers supervise first-level supervisors; chief executives supervise middle-managers, etc. Supervision is a management activity and supervisors have a management role in the organisation.

Occasionally, writers will substitute "leadership" and "supervision." Both activities are closely related. Supervision requires leadership. Leadership does not necessarily have to involve supervision.

1.3.1 Role of a Supervisor

Supervisor serves as an important role in an organisation. In an organisation, the role of supervisor is to monitor the employees working. The work of supervision is carried out at companies, factories where the supervisor will monitor products. It is found that a supervisor is part of management team which will serves as position of first line managers. First line manager is a person who will work for many functions that will help in meeting the productivity. With this reason, a supervisor is only called as manager that has important role at execution level.

A supervisor plays multiple roles at one time:

1. **As a Planner:** A supervisor functions as a planner as he/she has to plan for daily working schedules in an establishment. In planning, he bifurcates and delegates the work among different workers as per their abilities.
2. **As a Manager:** Since supervisor is part of management team, so ultimately to operate the working he was called as operative manager.
3. **As a Guide and Leader:** A supervisor guides the people working under him with necessary plan to be performed daily.
4. **As a Mediator:** A supervisor is a person who will communicate and work in between the management and workers. He serves as a coordinator among management as well as workers.
5. **As an Inspector:** An important function of supervisor is to monitor, standardise rules for workers, time scheduling and carried out performance for workers on daily basis. In the other way it serves as an inspector by inspecting rule, work, and production apart from the progress of workers at an individual and collective level.

6. **As a Counsellor:** A supervisor sometimes plays the role of a counsellor when he/she involves in workers problems. At that time he has to really become a person that can make the worker satisfied with responses.

1.3.2 Functions of a Supervisor

To manage the function related to workers and progress, supervisor plays an important role. Being the part of management team, the supervisor works closely with concerned manager to do various functions involved. The idea behind performance of certain functions is to take care about stability and soundness to an organisation with the idea of achieving profits with more productivity. With this, supervisor concerns with following functions:

1. **Planning and Organising:** Supervisor's plans for day-to-day work and performs schedule for workers by showing and helping them about the nature of work.
2. **Provision of working conditions:** As seen, supervisor serves as an important function by doing physical settings in an organisation by arranging physical resources at correct place.
3. **Leadership and Guidance:** As studied, supervisor is a sort of leaders for workers who handle all workers problems. He persuades workers through target and production scheduling with the aid of instructions and guidelines.
4. **Motivation:** A supervisor is important management personnel that link him with workers to pursue any work and to provide incentives to workers at various levels.
5. **Controlling:** The main aspect of supervisor is to:
    - Takes care about the performance of workers against certain time schedule
    - Ensure and check the work progress
    - Locate for any deflection in making solutions
    - Involved in self-problem solving solution thereby reporting it to top management
6. **Linking Pin:** It is work of supervisor to improvise on solutions over problems that exist among management and workers. The work of communicating and passing of relevant information to workers with the demand of management is the core concept which supervisor handles.

7. **Grievance Handling:** The supervisor can handle the grievances of the workers effectively. For this, he has to do the following things :
    - He must maintain personal one-to- one contact with workers.
    - He should win the confidence of the workers by solving their problems.
    - He should tackle worker problems on humanitarian grounds.
    - If he cannot tackle them independently, he can take the help and advice of the management to solve it.
8. **Reporting:** A supervisor has an important role to report about the cost, quality and any such output, which can be responsible for increasing productivity.
9. **Introducing new work methods**: The supervisor needs to be updated and conscious of all new developments and amendments regarding the production and market trends. This makes it easier for him to inspire his workers. A knowledgeable senior will always command the respect and support of his subordinates. So, the work of supervisor is to invent latest technique which saves production time and involves less workers wastage which could result in:
    - Higher productivity
    - High morale of workers
    - Satisfying working condition
    - Improving human relations
    - Higher profits
    - High stability
10. **Enforcing Discipline:** A supervisor can undertake many steps to maintain discipline in the concern by continuous checking and necessary measures such as strictness in orders and instructions, keeping an account of general discipline of factory, implementing penalties and punishments for the undisciplined workers. All these above steps help in improving the overall discipline of the factory.

1.3.3 Effective Supervision

To be a role model one must be performing at optimum even on an individual level, the effectiveness of a supervisor is judged on the basis of how he is contributing to his organisation by his work at an individual level as well. Thus, he and his effectiveness can be measured in terms of his qualities, his supervisory process and the result of his actions. All these are to be related to the contributions to the achievement of organisational objectives. Following are some of the elements of effective supervisory practices:

1. **Leadership:** It is an act influencing activities related to individual or groups so as to attain goals in a particular manner. With this, an individual or group is able to share willingly to achieve goals.

2. **Closeness of Supervision:** It is the degree of closeness where the supervision varies from close-supervision to free-supervision. The quality of good supervisors is to monitor and supervise with less close supervision. It is seen that a close supervision will result in low morale and motivation as it stops the satisfaction as per the strongly feelings of subordinates.

3. **Employee-orientation or Human Relations:** It is studied that both employees and work are taken care with the help of two styles such as employee-oriented and production-oriented. It is seen that in employee oriented style, there exists great stress in interaction of employee's jobs where as in production oriented style, the production and technical aspects depends on jobs and employees.

   Thus, effective supervision is employee-oriented which enables and enlightens the minds of subordinates assuring them that their interests are taken into consideration in organisational practices. High producing workers are also of this opinion that they prefer employee-oriented technique because supervisors take personal interest in them, which persuades them to serve better.. In this atmosphere, the various problems being faced by workers can be discussed with the supervisors concerned in order to find out their optimal solution.

4. **Group Cohesiveness:** In this, the belongingness to high-producing group enhances the members' regard for dignity of their own job. The amount of dignity assigned by group members to their own jobs is highly associated with group cohesiveness. An effective supervisor attempts for maintaining group cohesiveness by infusing confidence and trust in employees.

5. **Delegation:** Appropriate delegation leads to higher productivity, in the organisation. Effective supervision implies adequate delegation. A supervisor should not make any decision, which his subordinates can make. This not only develops confidence in the subordinates but also motivates them for better performance, making them independent and in the process saving a superior's time to concentrate for other work.

6. **Other Factors:** It is found that there are certain factors apart from discussed above where supervision serves as an effective trend. In this, the subordinates will feel that the supervisor which can set superiors and satisfy their needs in terms of promotion, recognition and work-centred will get more benefits.

Check your progress 2

1. A supervisor's multiple roles at one time is_____.

   a. As a Planner

   b. As a Guide and Leader

   c. As a Mediator

   d. All of the above

2. _____ are the elements of effective supervisory practices.

   a. Closeness of Supervision

   b. Employee-orientation or Human Relations

   c. Group Cohesiveness

   d. All of the above

1.4 Direction and Supervision

Sometimes, confusion arises between direction and supervision. The basic reason for such confusion is the context in which the term supervision is used. Therefore, two terms- direction and supervision- differ in terms of context and content. The term supervision is used in two ways.

First, it is used as an element of direction and, therefore, every manager in the organisation performs the function of supervision irrespective of his level in

managerial hierarchy. In this context, supervision involves guiding the efforts of others to achieve the stated objectives.

For example, Terry and Franklin have defined supervision as, "guiding and directing efforts of employees and other resources to accomplish stated work outputs." Thus, the scope of supervision is much more limited as compared to that of direction, which includes motivating and leading employees and communicating with them, besides guiding them.

Second, the term supervision is used to denote the functions performed by supervisors- a class of personnel between management and operatives. When supervision is used in this context, it includes all supervisory functions, which include planning organising, staffing, directing and controlling with varying emphasis on different functions. In this context, Newman and Warren have defined supervision as the day-to-day relationship between an executive and his immediate assistant and covers training, direction, motivation, Co-ordination, maintenance of discipline, etc.

Thus, it becomes much wider than directing particularly at supervisory level.

Check your progress 3

1. Which among the following explained supervision as, guiding and directing efforts of employees with several different resources to complete stated work outputs?

   a. Terry and Franklin.

   b. Peter.F.Drucker.

   c. George.R.Terry.

   d. None of the above

2. _____defined supervision as daily interaction among executive and immediate assistant in terms of training, direction, motivation, Co-ordination, maintenance of discipline.

   a. Newman and Warren.

   b. George.R.Terry.

   c. Peter.F.Drucker.

   d. Terry and Franklin

1.5 Let Us Sum Up

In this unit we have learnt that directing serves as managerial function that is mainly related with influencing, guiding, supervising and inspiring of subordinates in a will planned manner.

It is studied that the process of directing will cover issuing of orders and instructions along with guidance, counselling, adequate knowledge to subordinates, work supervision and thereby maintaining and inspiring subordinates.

It is found that there are several important principles of directing which will include harmony of objective, unity of command, direct supervision, participative leadership, follow up and unity of direction.

The broad meaning of supervision is the style of watching over the work or tasks of another who lacks in knowledge of concept at hand. It does not effect on the control of another but will able to guide in work, professional or personal.

The scope of supervision is limited to that of direction having motivating and leading employees along with communication among them inspite of giving guidance to them.

1.6 Answers for Check Your Progress

Check your progress 1

Answers: (1-a), (2-a)

Check your progress 2

Answers: (1-d), (2-d)

Check your progress 2

Answers: (1-a), (2-a)

1.7 Glossary

1. **SWOT analysis** – Analysis is intended to match the firm's strengths and weaknesses with the opportunities and threats posed by the environment.

2. **Organisation chart -** A graphic representation of organisational structure.
3. **Planning -** It is the process of deciding in advance what is to be done, when and where it is to be done, how it is to be done and by whom.
4. **Managers -**They are the individuals charged with monitoring the workflow, integrating efforts, meeting goals and providing leadership.
5. **Mission -** The organisation's purpose or fundamental reason for existence of work in order to improve worker efficiency.

1.8 Assignment

Discuss the role of supervisor in making the company production double. What steps are taken by him to do so?

1.9 Activities

What do you understand by Supervision? How is it different from Direction?

1.10 Case Study

Based on your observations at workplace or at any organisation, explain the difference between Direction and Supervision in your own words.

1.11 Further Readings

1. Principles of Management, B.S. Moshal, Galgotia Publications.
2. Management Text and Cases, VSP Rao and V. Hari Krishna, published by Anurag Jain for Excel books.
3. Principles of Management, Edition 2, P. C. Tripathi and P. N. Reddy, Tata McGraw Hill Publishing Company.
4. Essentials of Management, Harold Koontz and Heinz Weihrich, Tata McGraw Hill.

UNIT 2: CONTROLLING AND CO-ORDINATION

Unit Structure

2.0 Learning Objectives

2.1 Introduction

2.2 Controlling

2.2.1 Meaning of Controlling

2.2.2 Features of Controlling

2.2.3 Importance of Control

2.2.4 The Control Process

2.2.5 Characteristics of an Effective Control System

2.2.6 Types of Control

2.3 Planning and Controlling

2.4 Co-ordination

2.4.1 Characteristics of Co-ordination

2.4.2 Essentials of Co-ordination

2.4.3 Types of Co-ordination

2.4.4 Techniques of Co-ordination

2.4.5 Principles of Co-ordination

2.4.6 Obstacles

2.4.7 Need

2.5 Let Us Sum Up

2.6 Answers for Check Your Progress

2.7 Glossary

2.8 Assignment

2.9 Activities

2.10 Case Study

2.11 Further Readings

2.0 Learning Objectives

After learning this unit, you will be able to understand:

- Meaning, Features, Importance, Types and Process of Controlling.
- Effective Control System.
- How Controlling is different from Planning.
- Concept, Importance, Techniques and Principles of Co-ordination.

2.1 Introduction

In this unit you will be acquainted with the basic of controlling and its necessary factors. Controlling basically is employed as an active measurement of success that is against the standards as well as correction of variation if it exits, in order to make sure about success of organisational goals. The basic of controlling appears as to make sure about all occurring in conformities along with certain standards and principles. A well-organized system of control will rather help in predicting variations which come just before when actually takes place. Apart from this, you will also study about Co-ordination and resolution of conflicts, which are essential for smooth functioning of an organisation.

2.2 Controlling

Controlling is the method of paralleling actual performance with standards and employing necessary corrective action. The emphasis of the control system comprises of feed forward-control to prevent problems; concurrent control to monitor on-going activities and feedback control to evaluate last-performance. While incorporating controls at various levels, employee reactions must, also kept in mind.

Raghuveer's Dilemma

Raghuveer Desai is the supervisor of an engineering firm in Pune. The morale in his office was quite low, recently. The workers went back to a 9- 5 work schedule after being on flexi time for nearly two years.

When the directive came down allowing Raghuveer to place his office on flexi time, he spelled out the rules carefully to his people. All the employees were to work during the core period from 10 a.m. to 2 p.m. However, they could work

the rest of the eight-hour day at any time between 6a.m. and 6p.m. Raghuveer believed his workers were honest and well-motivated, so he did not bother to setup any system of control.

Everything went along well for a long time. The morale was high and all the work seemed to be done. In November, 2010 the chief factory manager found that Raghuveer's workers were averaging seven hours a day. Two employees had been working only during the core period for more than two months. When Raghuveer's departmental head received the factory manager's report, he told Raghuveer to return-the office to regular working hours. Raghuveer was upset and disappointed with his people. He had trusted them and felt they had let him down.

What did Raghuveer fail to understand about the controlling process?

If you look at the above narrative carefully you will realise that Raghuveer was in fact wrong in assuming too many things at the very beginning. It is good to trust your sub- ordinates and co- workers however control is equally essential. Control is the process of comparing actual performance with established standards for taking action to correct deviations.

Planning organising, coordinating and directing are only preparatory steps for getting the work done; it is only through the process of control that management is able to maintain the "equilibrium between ends and means, output an effort."

It is the process wherein managers guarantee that resources obtained are used effectually and resourcefully in the accomplishment of the organisation's objectives (Robin Anthony), a properly designed system of control alerts managers of the existence of potential problems and allows them to take counteractive actions, when necessary.

The basic purpose of a well-designed control system ensures that results are achieved according to plan. Control is not just score keeping. It is not just manoeuvring the course and receiving locations report; It is, rather, steering the ship as a whole.

2.2.1 Meaning of Controlling

Controlling means implementation of a decision method and the use of feedback so that the goals and specific strategic plans of the firm are optimally obtained. To do this, managers study the accounts and other reports and compare them to the previous plans. These comparisons may show where operations are

not proceeding as planned and who is responsible for what. It is a careful analysis of the past and the present that prepares them for a comfortable future. The feedback that management receives may suggest the need to re-plan, to set new strategies or to reshape the organisational structure.



Fig 2.1 Controlling

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

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

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

Controlling has got two basic purposes:

- It facilitates Co-ordination
- It helps in planning

2.2.2 Features of Controlling

A careful exam of the above definitions reveals the following features of controlling.

1. **Control is a Positive Force:** The primary object of control is to find areas of failure, and who is responsible for them and remedial actions to be taken. It is thus a positive force, aimed at securing performance. Just like a thermostat in a refrigerator control automatically begins to operate whenever deviations occur. It is a constructive activity designed to check deviations and advance performance.

2. **Controls Continuous Process:** It is not a one-step action plan. As pointed by the navigator continually takes readings to ascertain where he is, relative to a planned course, so should the business manager continually take readings to assure him that his enterprise or department is on course."

3. **Control is Forward Looking:** Control involves a post-mortem examination of past events; it is often viewed negatively, as a policing or watchdog kind of job. The whole exercised of looking back is meant to improve performance in future, as past cannot be controlled.

4 **Control Process is Universal:** Control is a primary function of every manager. It has to be undertaken at every level. Managers at every level have to check deviations from standards; set it right immediately and keep the business on course. The, process of management is incomplete without controlling.

5 **Control Process is Dynamic:** Control is not static; it is dynamic in the sense, it is amenable to change and hence, highly flexible. Between the establishment and achieving of the goal many things can happen in the organisation and its environment to disrupt or slow the pace of movement toward the goal or even to change goal itself. "A properly designed control system can help managers anticipate, monitor and respond to changing circumstances."

6. **Control is Goal-Oriented:** Control guides activities (along desired lines) towards predetermined goals. The primary focus is on achieving results, checking deviations, if any and initiating timely remedial steps. Control, thus, is not an end in itself but only a means to achieve predetermined goals.

7. **Delegation is the Key to Control:** A manager gets authority to use resources and achieve results through delegation. Without such authority, a manager may not be in a position to take effective rectification steps in time.

In addition, it should be remembered here, to put activities along right paths; a manager requires enough authority so that he can control anything and everything under his jurisdiction.

8. **Control is based on Planning:** A system or control presupposes the existence of certain standards. The plans provide the standards of performance, which serve as the basis of control. Thus, planning and control are closely related to each other. Once plans are made, control is unnecessary to measure the progress of work. Planning is useful only when there is effective control. Planning without control is meaningless.

2.2.3 Importance of Control

Control is an indispensable part of every organisation. The management process is incomplete and sometimes rendered meaningless without control function. Targets remain on paper, where people tend to use resources recklessly and managers find everything chaotic. The absence of control could be very costly and unproductive.

A good system of control, however, puts an end to all of these and offers the following advantages:

1. **Achievement of Goals:** Controlling is a goal-oriented process. It keeps activities on the right track. Whenever things go off the rails, remedial steps are undertaken immediately. Every attempt is made to confirm events, to set targets and thereby achieve results efficiently and effectively.

2. **Execution and Revision of Plans:** It is through controlling that suitable steps are taken to ensure that each plan is implemented in a predetermined way. Controlling measures progress, uncovers deviations, indicates corrective steps and thus, keeps everything on track. Of course, when conditions change dramatically, controlling helps to review, revise and update the plan. It offers valuable feedback information, reveals shortcomings in plans and thereby helps in preparing other plans for future use.

3. **Brings Order and Discipline:** In an organisation, while pursuing goals managers and their subordinates often commit mistakes. For example, problems are diagnosed incorrectly, lesser quality inputs are ordered, wrong products are introduced, and poor designs are followed. A control system helps check such tendencies before they turn into serious problems. It has a healthy impact on the behaviour of subordinates. They become cautious

while discharging their duties since they are aware (that their actions are observed at every stage)

4. **Facilitates Decentralisation of Authority:** When managers delegate work to lower levels, they must also ensure that the subordinates do not deviate from a predetermined course of action. A defined system of control ensures this by forcing subordinates to conform to plans. The feedback information helps managers check whether actions taken at lower levels are in line with what has been planned or not. It helps measure progress, check deviations and adjust operations from time to time. This leads to a dynamic set up with achievable goals.

5. **Promotes Co-ordination:** Control facilitates Co-ordination between different departments and divisions by providing them unity of direction. Individuals and their activities are tied to a set of common objectives. Such a unified focus ensures accomplishment of results, efficiently and effectively.

6. **Cope with Uncertainty and Change:** The business environ is dynamic and expects the organisations to be ever prepared for a new wave of science or innovation to hit them. New products emerge, innovations come up and new regulations are passed and so on. The organisation needs to keep a watchful eye on such developments and respond intelligently. A control system helps in checking whether the diversified product lines are giving healthy margins, the sales from each region are improving, the products are accepted in the market place or not. Constant monitoring of key areas helps management encash opportunities that are thrown open from time to time. Timely actions can also be initiated to prevent mistakes from becoming serious threats.

2.2.4 The Control Process

The process of control involves the following steps:

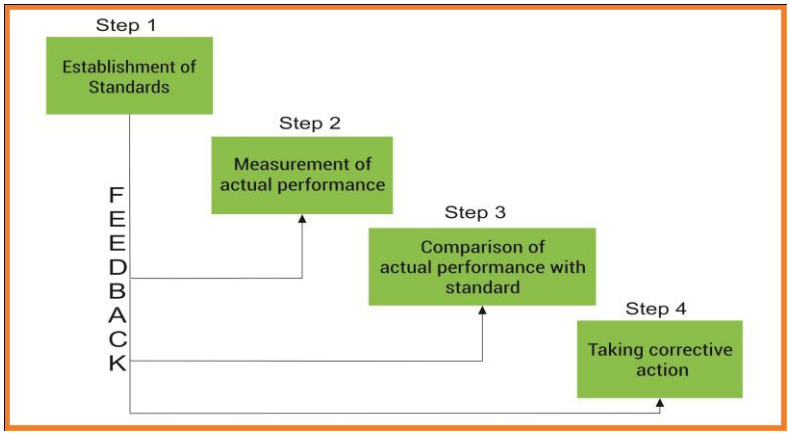


Fig 2.2 Control Process

1. **Establishment of Standards:** The first step in the control process is establishing standards. Standards are the targets against which subsequent performances will be equated with. They are, by definition, simply criteria of performance. They serve as the benchmarks because they specify acceptable levels of performance.

   It is found that laying of standards for every operation is an unpreventable work which is performed by the management such as:

   - In the initial phase of setting standards, it is the work of an executive to study about various characteristics related to work.
   - It is the work of executive to consider simple flexible and normally accepting levels of good performance in case of work characteristics.
   - On differing with amount of work related to operations, it is seen that the characteristics differs along with standards.
   - It is found that there are set standards that depends on characteristics of particular task.

2. **Measurement of actual performance:** Another step in control process is measurement of actual performance where actual performance of employees is measured in terms of fixed standards as per his job. Also, measuring performance of a personnel manager at the same time is difficult.

To make the checking process effective, the manager has to concentrate on three key aspects of measurement, viz., completeness, objectivity and responsiveness.

- **Completeness:** Complete measures provide an opportunity for the manager to concentrate on all aspects of the job instead of neglecting unmeasured tasks in favour of measured ones.
- **Objectivity:** Objective measures avoid bias that is essentially found in subjective assessment of task and people.
- **Responsiveness:** Responsive measures support the belief that effort and performance lead to improvement in the systems of control.

These three types of measurement are equally important for all jobs in organisations.

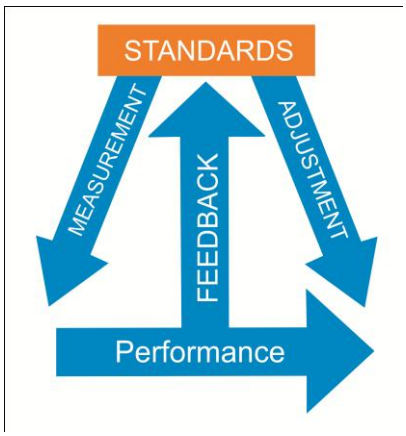


Fig 2.3 Measurement, Feedback and Adjustment during Performance

3. **Comparison of actual performance with standard:** The comparing step determines the degree of variation between actual performance and the standard. Some variation in performance can be expected in all activities. It is, therefore, important to determine the acceptable range of variation. Deviations in excess of this range become significant and receive manager's attention. All such deviations may be due to errors in planning, defective implementation or careless performance of the operatives. As a matter of fact, only major or exceptional deviations should be communicated to top management in the form of reports. This is known as 'management by exception'

4. **Taking corrective action:** The last and final step in the control process is taking corrective action, when required. Corrective steps are initiated by managers with a view to rectify the defects in actual performance. If actual performance for example- falls short of standards due to non-availability of materials, managers try to procure these materials and thus set things in order. If it is due to poor results shown by employees, it could be rectified through the introduction of attractive incentive plans. Thus, a corrective action may involve a change in methods, rules, procedures, etc. Sometimes, variations might occur due to unrealistic standards. That is, the goal may be too high or too low. In such cases, managers try to set things in order by revising the standards altogether.

   Corrective action, as mentioned above, includes the change in strategy, structure, compensation practices, training programmes, redesign of jobs, replacement of personnel, re-establishment of budgets or standards, etc.

2.2.5 Characteristics of an Effective Control System

Effective control systems have certain characteristics. For a control system to be effective, it must be:

1. **Accurate:** Information on performance must be accurate. Evaluating the accuracy of the information they receive is one of the most important control tasks that managers face.
2. **Timely:** Information must be collected, routed and evaluated quickly if action is to be taken in time to produce improvements.
3. **Objective and Comprehensible:** The information in a control system should be understandable and be seen as objective by the individuals who use it. A difficult-to understand control system will cause unnecessary mistakes and confusion or frustration among employees.
4. **Focused on Strategic Control Points:** The control system should be focused on those areas where deviations from the standards are most likely to take place or where deviations would lead to the greatest harm.
5. **Economically Realistic:** The cost of implementing a control system should be less than or at most equal to, the benefits derived from the control system.
6. **Organisational Realistic:** The control system has to be compatible with organisational realities and all standards for performance must be realistic.

7. **Coordinated with the Organisation's Work Flow:** Control information needs to be coordinated with the flow of work through the organisation for two reasons: (1) each step in the work process may affect the success or failure of the entire operation, (2) the control information must get to all the people who need to receive it.
8. **Flexible:** Controls must have flexibility built into them so that the organisations can react quickly to overcome adverse changes or to take advantage of new opportunities.
9. **Prescriptive and Operational:** Control systems ought to indicate, upon the detection of the deviation from standards, what corrective action should be taken.
10. **Accepted by Organisation Members:** For a control system to be accepted by organisation members, the controls must be related to meaningful and accepted goals.

These characteristics can be applied to controls at all levels of the organisation.

2.2.6 Types of Control

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

1. **Feed forward Control:** Feed forward control concentrates on the regulation of inputs (human, material and financial resources that flow into the organisation) to warrant the standards necessary for the transformation process.

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

   However, some authors use term "steering control" to separate the types of control. These types of controls are designed to detect deviation some standard or goal to allow correction to be made before a particular sequence of actions is completed.

2. **Concurrent Control:** Concurrent control takes place while an activity is in progress. It involves the regulation of on-going activities that are part of transformation process to ensure that they conform to organisational standards. Concurrent control is designed to ensure that employee work activities produce the correct results.

   Since concurrent control involves regulating on-going tasks, it requires a thorough understanding of the specific tasks involved and their relationship to the desired product.

   Concurrent control sometimes is called screening or yes-no control, because it often involves checkpoints at which determinations are made about whether to continue progress, take corrective action or stop work altogether on products or services.

3. **Feedback Control:** This type of control focuses on the outputs or the ultimate result of the organisation after transformation is complete. Sometimes called post action or output control, fulfils a number of important functions. For one thing, it often is used when feed forward and concurrent controls are not feasible or are too costly.

   Sometimes, feedback is the only viable type of control available. Moreover, feedback has two advantages over feed forward and concurrent control. First, feedback provides managers with meaningful information on how effective its planning effort was. If feedback indicates little variance between standard and actual performance, this is evidence that planning was generally on target.

   If the deviation is great, a manager can use this information when formulating new plans to make them more effective. Second, feedback control can enhance employee's motivation.

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

Check your progress 1

1. Control is designed to ensure that employee work activities produce the correct results

   a. Concurrent.

   b. Feedback.

   c. Feed forward.

   d. None of the above.

2. It means implementation of a decision method and the use of feedback so that the goals and specific strategic plans of the firm are optimally obtained.

   a. Controlling.

   b. planning.

   c. Organising.

   d. Directing.

2.3 Planning and Controlling

Planning and controlling are two separate functions of management, yet they are intricately intertwined with each other. Without the basis of planning, controlling activities becomes baseless and without controlling, planning becomes a meaningless exercise. In the absence of controlling, no purpose can be served by planning. Therefore, planning and controlling reinforce each other. According to Billy Goetz, the relationship between the two can be summarised in the following points:

- Planning precedes controlling and controlling succeeds planning.
- Planning and controlling are inseparable functions of management.
- Activities are hatched and tracked by planning and they are kept at right place through controlling.
- The process of planning and controlling works on Systems Approach, which is as follows: Planning → Results → Corrective Action.
- Planning and controlling are fundamental parts of an organisation as both are important for smooth running of an enterprise.

- Planning and controlling reinforce each other. Each drives the other function of management.

Thus, control is both looking back and looking ahead. It tries to find out where things have gone wrong and initiates timely remedial steps to accomplish the results smoothly.

Table Planning and controlling

Sr. No.	Points of Distinction	Planning	Controlling
01.	Focus	Impersonal, long range problems	Personal, immediate issues
02.	Relies on	Estimates	Specific data
03.	Time	Top management's top priority	Operating and lower level people spend more time on this
04	Structure	Less structured	Highly structured
05.	Evaluation	Difficult takes time to visualize the impact	Results visible, especially when situations are stable and not so complex

Check your progress 2

1. Planning precedes controlling and controlling succeeds planning
   a. True
   b. False
2. Planning and controlling are inseparable functions of management.
   a. True
   b. False

3. Planning and controlling are two separate functions of management, yet they are not closely related.

   a. True

   b. False

2.4 Co-ordination

The concept of Co-ordination is viewed as one of the important functions of management. If every level in an organisation works independent of each other it will lead to a mess. With specialised jobs, it does not enable an organisation to attain the desired result. An organisation is not a one man army which can plan, execute and achieve everything alone. When it comes to organisational units, Co-ordination becomes necessary.

Co-ordination is the management of interdependence in work situations; it is the orderly synchronization or fitting together of the inter-dependent efforts of individuals, in order to attain a common goal. For example, in a ballet performance, all the efforts of team must be well coordinated, right from the first to the last lady in the row. This makes it worth the watch.

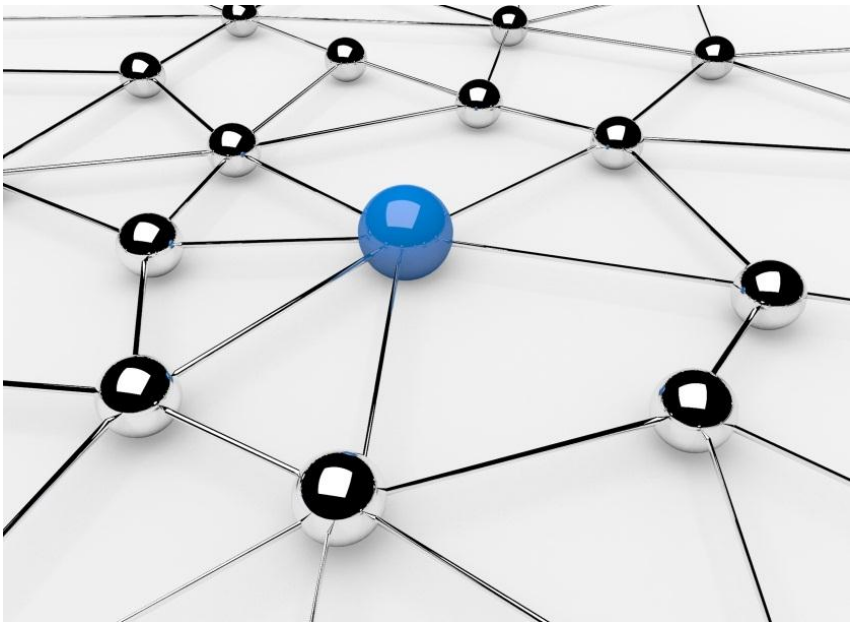


Fig 2.4 Co-ordination

Similarly, in a contemporary enterprise, which consists of a number of departments, such as production, purchase, sales, finance and personnel etc., there is need for all of them to properly time their mutually supporting activities and to ably reunite the sub–divided work.

Lack of proper Co-ordination results in inefficient operations and waste of time. To coordinate is to keep expenditure proportionate to financial resources, equipment and tools to production needs, stocks to rate of consumption, sales to production and so on. It is to build the project perfectly without flaws, neither too broad nor too narrow a road it is in brief a word to accord things and actions their rightful proportions and to adapt means to ends.

Following are the characteristics of Co-ordination.

2.4.1 Characteristics of Co-ordination

1. Co-ordination Integrates Group Effort:

The need for Co-ordination is felt when team work is desired for the accomplishment of an objective. In short, it can be said that Co-ordination is connected to group effort and not individual effort. The question of Co-ordination does not arise, if the job is done by one person only.

2. Co-ordination Ensures Unity of Action:

The nature of Co-ordination 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. Co-ordination 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. Any business is a combination of multiple activities. 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. Co-ordination 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 Co-ordination is pervasive. Like making of timetable in an educational institution is an apt example of establishing Co-ordination.

In the game of cricket, the placement of players at pre-determined positions is nothing but Co-ordination. In the same manner, to synchronise the activities of

different departments, like purchase, sales, production, finance, etc. in a business organisation is Co-ordination.

5. Co-ordination is the Responsibility of All Managers:

Co-ordination 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 Co-ordination. That is why, it could not be said that Co-ordination is of more importance to any one particular managerial level or a manager.

6. Co-ordination is a Deliberate Function:

Co-ordination is never established by itself but it is a deliberate effort. Only cooperation does not suffice but Co-ordination is also needed. For example, a lawyer aspires to practice effectively (this is cooperation) but the briefing is not prepared in time (this indicates lack of Co-ordination).

In this situation, classes cannot be arranged for. Here, the effort made by the teacher is meaningless, in the absence of Co-ordination. On the other hand, in the absence of cooperation, the workers are discontented. Thus, both are required at a given point of time.

2.4.2 Essentials of Co-ordination

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.

Management seeks to achieve Co-ordination through its basic functions of planning organising, staffing, directing and controlling. That is why Co-ordination is not a distinct function of management because its emphasis is on 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.

A manager can be compared to an orchestra conductor since both of them have to create rhythm and unity in the activities of group members. Co-ordination is an integral element or ingredient of all the managerial functions as discussed below:

1. **Co-ordination through Planning**: Planning facilitates Co-ordination by integrating the various plans through mutual discussion, exchange of ideas, e.g. Co-ordination between finance budget and purchases budget.

2. **Co-ordination through Organising**: Mooney considers Co-ordination as the very essence of organising. In fact, when a manager groups and assigns various activities to subordinates and when he creates department's Co-ordination uppermost in his mind.
3. **Co-ordination through Staffing**: A manager should bear in mind that the right number of personnel in various positions with right type of education and skills are taken which will ensure right men on the right job.
4. **Co-ordination through Directing**: The purpose of giving orders, instructions and guidance to the subordinates is served only when there is a harmony between superiors and subordinates.
5. **Co-ordination through Controlling**: Manager ensures that there should be Co-ordination between actual performance and standard performance to achieve organisational goals.

From above discussion, we can very much affirm that Co-ordination is the very much lifeline of management. It is required in every function and at each and every stage and therefore it cannot be separated.

2.4.3 Types of Co-ordination

Co-ordination can be broadly classified into one of the following four types:

1. **Internal Co-ordination**: Co-ordination among the employees of the same department or section, among workers and managers at different levels, among branch offices, plants and departments and sections is called internal Co-ordination.
2. **External Co-ordination**: Co-ordination with customers, suppliers, government and outsiders with whom the enterprise has business connections is called external Co-ordination.
3. **Vertical Co-ordination**: Vertical Co-ordination is what exists in a department where the departmental head is called upon to coordinate the activities of all those placed below him.
4. **Horizontal Co-ordination**: Horizontal Co-ordination takes place sideways. It exists between different departments such as production, sales, purchasing, finance, personnel etc.

2.4.4 Techniques of Co-ordination

The following are some important techniques of co-ordination.

1. **Hierarchy:** An ancient and effective practice for achieving, co-ordination is hierarchy or chain of command. By putting interdependent units under one, boss, some co-ordination among their activities in ensured.

2. **Rules, Procedures and Policies:** The specification of rules, procedures and policies is another common device to coordinate sub units in the performance of their repetitive activities. Standard policies, procedures and rules are laid down to cover all possible situations.

3. **Planning:** Planning ensures co-ordination efforts. Under planning, targets of each department do connect with the targets of all other departments. For example, by fixing the target of 10,000 units of additional production and sale for the production and sales departments respectively, the head of the organisation can be fairly sure that the work of the two departments would be Co-ordination since their target so demand.

4. **Committees:** Participative, committee or group decision-making is another common coordinating device. This device greatly eases the rigidity of the hierarchical structure, promotes effective communication and understanding of ideas, encourages the acceptance of the commitment to policies and makes their implementation more effective.

5. **Induction:** Inducting the new employee into the new social setting of his work is also a coordinating mechanism. This device familiarizes the new employee with the organisations rules and regulations its dominant norms of behaviour, values and beliefs and integrates his personal goals with the organisational goals.

6. **Indoctrination:** Indoctrinating organisational members with the goals and mission of the organisation. A device used commonly in religious and military organisations is still another Co-ordination device.

7. **Incentives:** Another mechanism necessitates interdependent units with an incentive to collaborate, such as a profit-sharing plan. Ardent advocates of profits–sharing privilege that it stimulates team spirit and better cooperation between employers and workers, between superiors and subordinates and between workers and workers.

8. **Liaison Departments:** In some cases where there is a large volume of contact between two departments, a liaison department evolves to handle the

transaction. This typically occurs between sales and production departments. For examples, a packaging company that is processing a particular large order of containers might have liaison department to make sure that the production department is meeting the client's specification and that delivery will take place one time.

9. **Workflow:** A workflow is the sequence of steps by which the organisation acquires inputs, transforms them into outputs and exports these to the environment. It is largely shaped by technological economic and social consideration and helps in co-ordination.

2.4.5 Principles of Co-ordination

In applying techniques for achieving effective co-ordination in the organisation, managers have to observe certain principles. Observance of these principles facilitates the application of various techniques of co-ordination. Mary Parker Follett, one of the classical management thinkers, has suggested four basic principles of co-ordination: direct contact, co-ordination at early stages, continuity and dynamism. To these, two more principles in the form of timing and reciprocal relationship were added. Let us see how these principles work and aid to effective co-ordination.

1. **Principle of Direct Contact:** Principle of direct contact states that Co-ordination can be achieved by direct contact among people whose activities are to be coordinated. This is essential as working in isolation could affect the working. Such a contact can be established through the provision of effective communication system. Direct contact helps in bringing agreement on work methods, actions and achievement of ultimate objectives. It also leaves little room for gaps in communication intra- organisation. It helps to wither away the controversies and misunderstandings among organisational members as well as external parties. Principle of direct contact is based on the theme that Co-ordination is better achieved through mutual understanding and not by force order or coercion.

2. **Co-ordination at the Early Stages:** Co-ordination can better be achieved if it is attempted at the early of stage of work cycle that is at the planning stage. At the stage of planning such as objective setting, strategy and policy formulation, etc., Co-ordination can be sought from organisational members. This may be done through their participation in decision-making process. When members are involved in decision-making process, they

realise how their work performance affects other members in the organisation. This happens because participative decision-making enables members to commit and agree on various issues. Conflict and in congruency are reduced which are major hurdles for effective Co-ordination.

3. **Principle of Continuity:** The principle of continuity states that Co-ordination should be treated as a continuous process; it should be taken on regular basis. Co-ordination should be treated as never-ceasing and never-ending exercise of all managers and in all functions. Follett has stated that Co-ordination emerges with the organisation and ends with it.

4. **Principle of Dynamism:** Principle of dynamism states that Co-ordination does not work on the basis of rigid and fixed basis but on dynamic basis. Dynamism is required because changes occur in external factors, which necessitate changes in the organisation and its processes including Co-ordination. When organisational changes take place, many old organisational practices do not remain workable. This is true for Co-ordination too.

5. **Principle of Timing:** The principle of timing involves that various organisational units and members should synchronise the timing of their work performance. One member of the organisation facilitates the working of another if he synchronises the timing of his work with the working of another. For example, in a drama, the different stages of the work are interrelated in such a way that a subsequent stage can be undertaken only when the earlier stage has been completed. In such a case, Co-ordination of timing at different stages is important. Though it is just a plain drama it still requires a lot of Co-ordination in timing. How much more then does a business organisation require?!

6. **Principle of Reciprocal Relationship:** Reciprocal relationship exists between two or more parties in which each party affects the functioning of others and in turn is affected by others. In the organisational context, various departments may have reciprocal relationship though the amount of reciprocity may not be equal in the reciprocal relationship, if a department is affected by some functions of another department but the former does not have control over these functions, the problem of Co-ordination arises. At such times it becomes necessary to establish the need for direction as well. In this situation, the functions and the way of performing such functions are altered in such a way that these affect others positively. For example, the level of production in production department may be decided in consultation

with marketing department so that optimum level of production is maintained.

2.4.6 Obstacles

Large business enterprises consist of a number of departments, such as production, purchase, sales, finance, personnel, etc. These departments find it hard to collaborate with each other due to the differences in their attitudes and working styles. Paul. R. Lawrence has identified differences:

- **Differences in orientation towards particular goals**

  Members of different departments develop their own views and standards depending on their functions about how best to advance the interest of the organisation. For sales people the product variety may take precedence over product quality.

- **Differences in time orientation**

  Some members of an organisation such as production managers will be more concerned with problems that have to be solved immediately or within a short period of time. Others, like members of research and development team, may be preoccupied with problems that may take years to solve.

- **Differences in interpersonal orientation**

  In some organisations, activities such as production, there may be more official ways of communicating and decision making. In other activities such as R &D, the style of communication and decision may be informal. Everyone may been courage to have a say and to discuss his ideas with others.

- **Differences in formality of Structure**

  Each unit in the organization may have different methods and standards for evaluating progress towards objectives and for rewarding employees. In a production department for e.g. where quantity and quality are rigidly controlled the evaluation and reward process might be quite formal. Employees will be judged quickly on how they will need or exceed well defined performance criterion.

2.4.7 Need

The extent of co-ordination needed in an organisation depends on the nature of tasks and degree of interdependence of people in various units performing them. When these tasks require or can benefit from communication between units, then a high degree of Co-ordination is the best. When information exchange is less, important work may be completed with less interaction between units. This happens at the executive levels wherein most of the senior executives have years of experience to handle situations comfortably and without assistance. Also a high degree of Co-ordination is likely to be beneficial for work that is non-routine and unpredictable. The need for Co-ordination arises because of the following factors.

1. **Division of labour**: When managers divide work into specialized function departments they are at the same time create the need for the co-ordination of these activities. Generally, the greater the division of labour, the greater is the need for Co-ordination. If two people in one unit do all the work of an organization, it is clear that there is little need for Co-ordination. But if the work has been divided into ten units with hundred employees, the need for Co-ordination is much greater. Co-ordination ensures proper synchronization between activities of different units' and avoids interruptions in operations due to reasons such as delay to introduce Co-ordination into the plan at a later stage when the damage has already been done.

2. **Direct interpersonal horizontal relationship**: Co-ordination can be secured effortlessly and effectively by direct interpersonal horizontal relationship. Such a direct personal communication brings about agreement on methods, actions and ultimate achievements and removes misunderstandings and conflicts. These will involve a system in formal communication embracing all ranks and status.

3. **Continuity:** Co-ordination must be regarded as a continuous process and must be carried out at all times. It starts from planning and runs through the functions of organizing directing and controlling.

4. **Efforts of Managers**: One should not gather the wrong impression that Co-ordination can be achieved merely by giving an order. Co-ordination is something, which cannot be ordered. On the contrary, it must be brought into by the efforts of the managers by integrating all efforts, ideas and interests to some common purpose.

5. **Dynamism:** Co-ordination should be a heady mix of rigid and flexible. Its essence lies in constant experimentation with all phases of organization and operations. Good Co-ordination will remove the critical points as they arise. Excellent Co-ordination will anticipate them and prevent their occurrence. The maintenance and operations department of an airline company provide an example of this kind of relationship. Obviously, this close interrelationship leads to the strongest need for Co-ordination.

Check your progress 3

1. Co-ordination with customers, suppliers, government and outsiders with whom the enterprise has business connections is called external Co-ordination.

   a. External Co-ordination.

   b. Internal Co-ordination.

   c. Horizontal Co-ordination.

   d. Vertical Co-ordination.

2. When managers divide work into specialized functions departments they at the same time create the need for the Co-ordination of these activities.

   a. Division of Labour.

   b. Division of Skills.

   c. Division of Work.

   d. Division of Process.

2.5 Let Us Sum Up

In this unit we have learnt that controlling is a process of comparing of actual output with standards along with necessary corrective action.

It is analysed that Control is a positive force, which a continuous process with universal forward is looking that is mostly result in achieving dynamic goals.

It is found that a good system of control has certain advantages like achievement of goals, execution and revision of plans, facilitating decentralisation of authority apart from others.

The idea of process of control results in establishment of standards, measurement of actual performance, comparison of actual performance with standard and taking corrective action.

It is seen that an effective control systems tend to have certain qualities such as suitability, simplicity, selectiveness, economical, reasonability, flexibility, objectivity, etc.

There appear three types of controls such as feedback control, concurrent control and feed forward control.

It is seen that Co-ordination is not a distinct as it shows core of management with an idea to achieve common objective that could be continuous or on-going process.

2.6 Answers for Check Your Progress

Check your progress 1

Answers: (1-a), (2-a)

Check your progress 2

Answers: (1-a), (2-a), (3-b)

Check your progress 3

Answers: (1-a), (2-a)

2.7 Glossary

1. **Organisation -** Two more people engaged in a systematic effort to produce goods or services.
2. **Management -** The attainment of organisational goals in an efficient and effective manner through planning organising, leading and controlling organisational resources.
3. **Controlling -** It is concerned with monitoring employees' activities, keeping the organisation on track towards its goals and making corrections as required.

2.8 Assignment

What is controlling? Why is it so important for an organisation and managers to implement proper controlling system?

2.9 Activities

What do you understand by Co-ordination? What are the essentials, types and techniques of Co-ordination?

2.10 Case Study

How you will explain the importance of Co-ordination in your words with a suitable example?

2.11 Further Readings

1. Principles of Management, B.S. Moshal, Galgotia Publications.
2. Management Text and Cases, VSP Raoand V. Hari Krishna, published by Anurag Jain for Excel books.
3. Principles of Management, Edition 2, P. C. Tripathi and P. N. Reddy, Tata McGraw Hill Publishing Company.
4. Essentials of Management, Harold Koontz and Heinz Weihrich, Tata McGraw Hill.

Block Summary

In this block we have details about the directions, supervision, Co-ordination and controlling activities that are required and performed in an organization. The concept about important functions of management is also highlighted for reference of students which will be of great use to them. The understanding of direction and Co-ordination activities will therefore explained with the result that the user may require implementing such activities in their domains.

The benefit of reading this block is that the student will be aware about various qualities that a supervisor should carry in order to improve the productivity of the product for the company. The unit will explained about necessary features that exists while knowing certain rules and criteria's that a supervisor show know about Co-ordination activities that exists among workers and management. The responsibility of management in terms of achieving the desired goals is well detailed for future use.

Block Assignment

Short Answer Questions

1. Control Process
2. Effective control system
3. Types of Control
4. Guidelines for Effective Supervision
5. Functions of a Supervisor

Long Answer Questions

1. What is Direction? Discuss the nature and principles of Directing.
2. Explain the process of controlling.
3. Explain Co-ordination and discuss its process.

Enrolment No. ☐

1. How many hours did you need for studying the units?

Unit No	**1**	**2**	**3**	**4**
Nos of Hrs				

2. Please give your reactions to the following items based on your reading of the block:

Items	Excellent	Very Good	Good	Poor	Give specific example if any
Presentation Quality	☐	☐	☐	☐	
Language and Style	☐	☐	☐	☐	
Illustration used (Diagram, tables etc)	☐	☐	☐	☐	
Conceptual Clarity	☐	☐	☐	☐	
Check your progress Quest	☐	☐	☐	☐	
Feed back to CYP Question	☐	☐	☐	☐	

3. Any Other Comments

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Education is something which ought to be brought within the reach of every one.

- Dr. B. R. Ambedkar

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PRINCIPLES OF MANAGEMENT

PGDBA-101



BLOCK 4:
MORE ON MANAGEMENT

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PRINCIPLES OF MANAGEMENT

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ROLE OF SELF INSTRUCTIONAL MATERIAL IN DISTANCE LEARNING

The need to plan effective instruction is imperative for a successful distance teaching repertoire. This is due to the fact that the instructional designer, the tutor, the author (s) and the student are often separated by distance and may never meet in person. This is an increasingly common scenario in distance education instruction. As much as possible, teaching by distance should stimulate the student's intellectual involvement and contain all the necessary learning instructional activities that are capable of guiding the student through the course objectives. Therefore, the course / self-instructional material are completely equipped with everything that the syllabus prescribes.

To ensure effective instruction, a number of instructional design ideas are used and these help students to acquire knowledge, intellectual skills, motor skills and necessary attitudinal changes. In this respect, students' assessment and course evaluation are incorporated in the text.

The nature of instructional activities used in distance education self-instructional materials depends on the domain of learning that they reinforce in the text, that is, the cognitive, psychomotor and affective. These are further interpreted in the acquisition of knowledge, intellectual skills and motor skills. Students may be encouraged to gain, apply and communicate (orally or in writing) the knowledge acquired. Intellectual-skills objectives may be met by designing instructions that make use of students' prior knowledge and experiences in the discourse as the foundation on which newly acquired knowledge is built.

The provision of exercises in the form of assignments, projects and tutorial feedback is necessary. Instructional activities that teach motor skills need to be graphically demonstrated and the correct practices provided during tutorials. Instructional activities for inculcating change in attitude and behavior should create interest and demonstrate need and benefits gained by adopting the required change. Information on the adoption and procedures for practice of new attitudes may then be introduced.

Teaching and learning at a distance eliminates interactive communication cues, such as pauses, intonation and gestures, associated with the face-to-face method of teaching. This is particularly so with the exclusive use of print media. Instructional activities built into the instructional repertoire provide this missing interaction between the student and the teacher. Therefore, the use of instructional activities to affect better distance teaching is not optional, but mandatory.

Our team of successful writers and authors has tried to reduce this.

Divide and to bring this Self Instructional Material as the best teaching and communication tool. Instructional activities are varied in order to assess the different facets of the domains of learning.

Distance education teaching repertoire involves extensive use of self-instructional materials, be they print or otherwise. These materials are designed to achieve certain pre-determined learning outcomes, namely goals and objectives that are contained in an instructional plan. Since the teaching process is affected over a distance, there is need to ensure that students actively participate in their learning by performing specific tasks that help them to understand the relevant concepts. Therefore, a set of exercises is built into the teaching repertoire in order to link what students and tutors do in the framework of the course outline. These could be in the form of students' assignments, a research project or a science practical exercise. Examples of instructional activities in distance education are too numerous to list. Instructional activities, when used in this context, help to motivate students, guide and measure students' performance (continuous assessment)

PREFACE

We have put in lots of hard work to make this book as user-friendly as possible, but we have not sacrificed quality. Experts were involved in preparing the materials. However, concepts are explained in easy language for you. We have included many tables and examples for easy understanding.

We sincerely hope this book will help you in every way you expect.

All the best for your studies from our team!

PRINCIPLES OF MANAGEMENT

Contents

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UNIT 1 NATURE AND FUNCTIONS OF MANAGEMENT

Definition, Nature of Management, Management as a Process, Management as Science and Art, Management Functions, Importance of Management, Management and Administration, Managerial Skills, Levels of Management

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Schools of Management Thought, Classical, Behavioural, Management Science School, Contingency and Systems approach, Ouchi's Theory Z, Management as Profession, Professionalization of Management in India

BLOCK 2: PLANNING AND DECISION MAKING, ORGANIZATION AND STAFFING

UNIT 1 PLANNING AND DECISION MAKING

Planning and Forecasting - Meaning and definition, Features, Steps in Planning Process, Approaches, Principles, Importance, Advantages and Disadvantages of Planning, Types of Plans, Types of Planning, Management by Objective. Decision Making - Meaning, Characteristics, Decision-Making Process, Guidelines for Making Effective Decision, Types of Decisions

UNIT 2 ORGANISING AND ORGANISATION STRUCTURE

Organising Process - Meaning and Definition, Characteristics Process, Need and Importance, Principles, Span of Management.

Organisational Chart - Types, Contents, Uses, Limitations, Factors Affecting Organisational Chart. Organisation Structure - Line organisation, Line and Staff, Functional, Divisional, Project, Matrix, Virtual.

Informal Organisation - Meaning, Characteristics, Importance, Limitations, difference between formal and informal organisation. Need to Add

UNIT 3 STAFFING

Staffing - Meaning, Nature, Importance, Staffing process. Manpower Planning, Recruitment, Selection, Orientation and Placement, Training, Remuneration, Performance Appraisal, Promotion and Transfer

BLOCK 3: DIRECTION, SUPERVISION AND CONTROLLING AND CO-ORDINATION

UNIT 1 DIRECTION AND SUPERVISION

Direction - Definition, Nature, Need and Importance, Principles of Directing. Supervision - Role and Functions of a Supervisor, Effective Supervision, Direction and Supervision

UNIT 2 CONTROLLING AND CO-ORDINATION

Controlling - Meaning, Features, Importance, Control Process, Characteristics of an effective control system, Types of Control.

Co-ordination - characteristics, essentials, Types and Techniques, Principles, obstacles, need

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BLOCK 4: MORE ON MANAGEMENT

UNIT 1 COMMUNICATION, MOTIVATION AND LEADERSHIP

Motivation - Concept, theories-classical and modern, Importance, Financial and Non-financial motivation, Positive and Negative Motivation, Group Motivation. Leadership - Definition, Meaning, Factors, Theories, Principles, Leadership Styles. Communication-Definition, Meaning, Nature, Communication Process, Types and Barriers to communication

UNIT 2 SOCIAL RESPONSIBILITIES OF BUSINESS

Social responsibility - Meaning, Definition, Features, Scope. Social Responsibilities of Managers, Interested groups - shareholders,

workers, customers, Creditors, supplies, Government, Society. Indian Business and Social Responsibility

UNIT 3 STRATEGIC MANAGEMENT

Meaning, Definition, Elements, Scope and Dimensions, Process, Importance, Strategic Decisions, SWOT Analysis

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PGDBA-101

PRINCIPLES OF MANAGEMENT

BLOCK 4: MORE ON MANAGEMENT

UNIT 1
COMMUNICATION, MOTIVATION AND LEADERSHIP 03

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BLOCK 4: MORE ON MANAGEMENT

Block Introduction

Motivation refers to the amount of readiness of an entity to pursue some designated goals and infers the determination of the nature and locus of force inducing degree of readiness. The socio-economic obligation of every business is to observe that no action that is economically charged has an adverse effect on the public welfare which technically means it must produce a win situation for the worker and the environment as well. This includes obligations to promote employment opportunities, to maintain competition, to curb inflation, etc. Strategic management can also be defined as a bundle of decisions and acts which a manager undertakes and which decides the result of the firm's performance.

The block covers the central aspects about motivation, social responsibility of business and strategic management. The thorough features about fundamental study of the strategic management along with Indian Businesses and Social Responsibility are adequately explained. The block will provide knowledge on types of communication with social and economic barriers which may possibly be of great help to students while transferring information within an organisation.

After completing this block, student will be able to get sufficient information on motivations with views from several writers that will make them to distinguish easily about financial and non-financial motivations. The knowledge about communication tools with appropriate use for new users. The feature about management and its associated features will help the students to know about the strategic working in an organisation.

Block Objective

After learning this block, you will be able to understand:

- Features about Motivation theory
- Theory of Maslow's hierarchy
- Concept of ERG Motivation theory
- Understanding the Two-Factor Theory
- Characteristics of X and Y theory
- Basic of Financial and Non-financial Motivation

- Need of Leadership
- Factors affecting Leadership
- Early leadership theories
- Various Principles of Leadership
- Outline about Leadership Styles
- Nature of Communication
- Detailed about the types of Communication
- Idea about Social Responsibility
- Brief about Social Responsibilities of Managers
- Feature of Strategic management
- Outline about SWOT analysis

Block Structure

Unit 1: Communication, Motivation and Leadership

Unit 2: Social Responsibilities of Business

Unit 3: Strategic Management

UNIT 1: COMMUNICATION, MOTIVATION AND LEADERSHIP

Unit Structure

1.0 Learning Objectives

1.1 Introduction

1.2 Concept of Motivation

1.2.1 Meaning and Definition of Motivation

1.2.2 Theories of Motivation

1.2.3 Importance of Motivation

1.2.4 Financial and Non-Financial Motivation

1.2.5 Positive and Negative Motivation

1.2.6 Group Motivation

1.3 Leadership

1.3.1 Definition and Meaning of Leadership

1.3.2 Factors of Leadership

1.3.3 Theories of Leadership

1.3.4 Principles of Leadership

1.3.5 Leadership Styles

1.4 Communication

1.4.1 Definition of Communication

1.4.2 Meaning of Communication

1.4.3 Nature of Communication

1.4.4 Communication Process

1.4.5 Types of Communication

1.4.6 Barriers to Communication

1.5 Let Us Sum Up

1.6 Answers for Check Your Progress

1.7 Glossary

1.8 Assignment

1.9 Activities

1.10 Case Study

1.11 Further Readings

1.0 Learning Objectives

After learning this unit, you will be able to understand:

- Meaning and Definition of Motivation.
- Nature and Importance of Motivation.
- Theories of Motivation.
- Financial, Non-Financial, Positive and Negative Motivation.
- Definition, factors, theories, principles and styles of Leadership.
- Definition, meaning, nature, process, types and barriers to Communication.

1.1 Introduction

In the previous unit, you learnt about direction. Direction has the following elements: Supervision, Motivation, Leadership and Communication. You have already learnt about supervision earlier in the book. In the current unit: Motivation, Leadership and Communication will be discussed.

Motivation is to provide reason, incentive, enthusiasm or interest that causes a specific action or certain behaviour. Motivation is existing in every life function. Simple acts such as eating are motivated by hunger. Education is driven by an acute yearning for information. Motivators can include anything from reward to coercion.

Leadership has been described as the "process of social influence in which one person can enlist the aid and support of others in the accomplishment of a common task". Let us discuss them in detail in this unit.

1.2 Concept of Motivation

Generally, motivation refers to the state within an individual that determines his behaviour towards some goals. The drive comes from the need or state of deprivation or 'sense of not having in simple terms 'lacking' which coerces the individuals to perform in a particular manner. Thus, the basis of motivation may be basic needs like hunger and thirst or may be social and psychological needs of belongingness and achievement, self-development, etc.



Fig 1.1 Directing to Motivate Factory Workers

1.2.1 Meaning and Definition of Motivation

The term motivation has been defined by management authors as "a general inspirational process which gets the members of the team to pull their weight effectively, to give their loyalty to the group, to carry out properly the tasks that they accepted and generally to play an effective part in the job that the group has undertaken"-Brech.

"Any emotion or desire which so conditions one's will that the individual is propelled in to action." Stanley Vence.

"The complex of forces starting and keeping a person at work in an organisation": Robert's Encyclopaedia of Management

Nature of Motivation

On the basis of the above definitions, the following observations can be made regarding motivation:

1. Motivation is an inner psychological force, which activates and compels the person to behave in a particular manner.
2. Motivation process is influenced by personality traits learning abilities, perception and competence of an individual.
3. Highly motivated employee works more efficiently and his level of production lends to be higher than others.
4. Motivation originates from the wants of an individual. It is a tension of lacking something in his mind, which forces him to work more efficiently.
5. Motivation is also a process of stimulating energy of an individual for achieving set goal.
6. Motivation also plays a crucial role in determining the level of performance. Highly motivated employee will get higher satisfaction, which may lead to higher efficiency.
7. Motivating force and its degree may differ from individual to individual depending on his personality, needs, competence and other factors.
8. The process of motivation helps the manager in analysing and understanding human behaviour and finding out that how an individual can be inspired to produce desirable working behaviour.
9. Motivation may be positive as well as negative. Positive motivation includes incentives, rewards and other benefits while negative motivation implies some punishment, fear, use of force, etc.
10. The process of motivation contributes to and boosts up the morale of the employees. Further, high degree of motivation may lead to high morale.

1.2.2 Theories of Motivation

No organisation can thrive without highly dedicated team of employees. It is only through them that all other physical resources, like land, building capital, machine, etc. are going to be used for the achievement of prearranged goals. Due to the enormous effect of motivational factors on the working behavior and level of performance of the employee, lot of research work has been done and because of that, many theories of motivation have been developed.

Few important and well-known theories are explained below:

1. Maslow's hierarchy of needs theory

Abraham Maslow, an eminent US psychologist, has classified human needs in a logical convenient way that has an important implication for managers making his theory the most popular amongst the managers. In this theory, he has pointed out and explained how needs influence human behaviour. Maslow viewed human motivation as a hierarchy of five needs ranging from most basic physiological needs to the highest needs for self-actualisation.

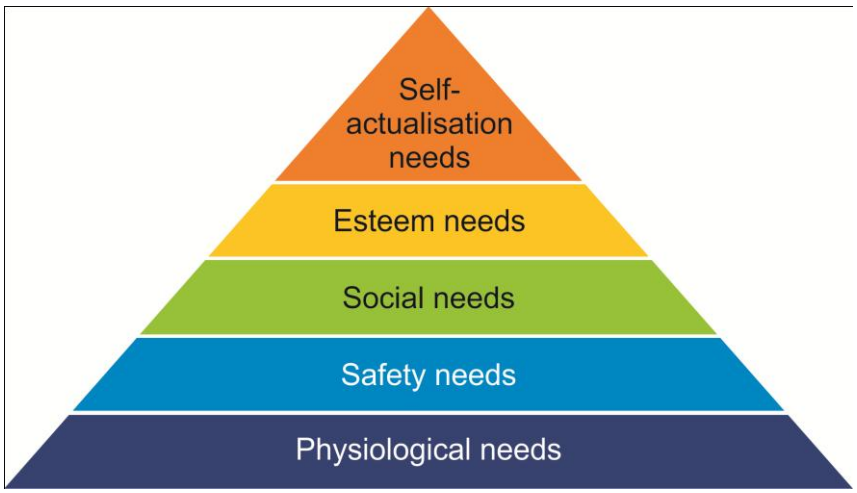


Fig 1.2 Maslow's Need Hierarchy

- **Physiological needs:** These comprise the basic components: food, shelter, and clothing. These needs are most powerful motivators, as no individual can survive without them. Physiological needs must be satisfied to some level or these should be partially satisfied, before the individual moves to satisfy other higher category needs. Maslow observed that man lives by bread alone, when there is no bread.
- **Safety needs:** Once level one has been accomplished and the physiological needs satisfied, one feels concerned about safety from future uncertainty, enemies and other threats. These are essentially needs of self-preservation. At this stage, an individual begins to think for future and makes efforts to provide for rainy days. It is concluded by Maslow that, employees need sufficient wage to feed, to take shelter, to protect them and their families and a safe working environment before attempting to satisfy other needs of the higher order.
- **Social needs:** Maslow focuses next on satisfying needs of love and affection, which are known as social needs. Social needs include the need to love and be loved and the need to belong and be identified with a group.

Although not written as pre-requisite it is an essential need. Family life invariably affects work environment. As for the first two levels of need, relative satisfaction of social needs gives rise to next higher-level need.

- **Esteem needs:** Employees in the organisation who perceive themselves as worthwhile are said to possess esteem needs. Self-respect is a key to such needs. Much of our self-respect stems from acceptance in society and commanding the respect of fellow members within society. . Esteem needs include need for self-respect and appreciation from others, status and prestige in the society etc.
- **Self-actualization needs:** At the top of Maslow's hierarchy of needs, there lies the need of self-actualisation. It is an open-ended need, because it relates to the need to become more and more what one is to become everything that one is capable of becoming. It includes need for realisation one's full potentials of development, maturity and autonomy. On the relative satisfaction of this need, an individual becomes growth-oriented. Self-directed, detached and creative but in organisation he hardly achieves self-realisation. However, the creativity of an individual in producing new and practical ideas, in bringing about productivity and innovation and in reducing cost that might satisfy some of the needs of self-actualisation.

Limitations and Criticism

Maslow's hierarchy may seem sound prima facie but lack of evidence does put a question on the credibility of this theory. Recent researches conducted have challenged the order that the needs are imposed by Maslow's pyramid. As an example, in some cultures, social needs are placed more fundamentally than any others. Further, Maslow's hierarchy fails to explain the "starving artist" scenario, in which the aesthetic neglects their physical needs to pursuit of aesthetic or spiritual goals. Additionally, little evidence suggests that people satisfy exclusively one motivating need at a time, other than situations where needs conflict.

While scientific support fails to reinforce Maslow's hierarchy, his theory is very popular, being the introductory motivation theory for many students and managers worldwide. To handle a number of contemporary issues in the Needs Hierarchy, Clayton Alderfer devised the ERG theory, a consistent needs-based model that aligns more accurately with scientific research.

2. ERG Theory of Motivation

Clayton Alderfer has developed this theory on the same line as Maslow's need hierarchy. Rather it is considered as reformulation or refinement of Maslow's need theory. This theory states that people attempt to meet a hierarchy of existence, relatedness and growth need efforts to seek one level of needs are defeated individual would regress to lower the level of needs.

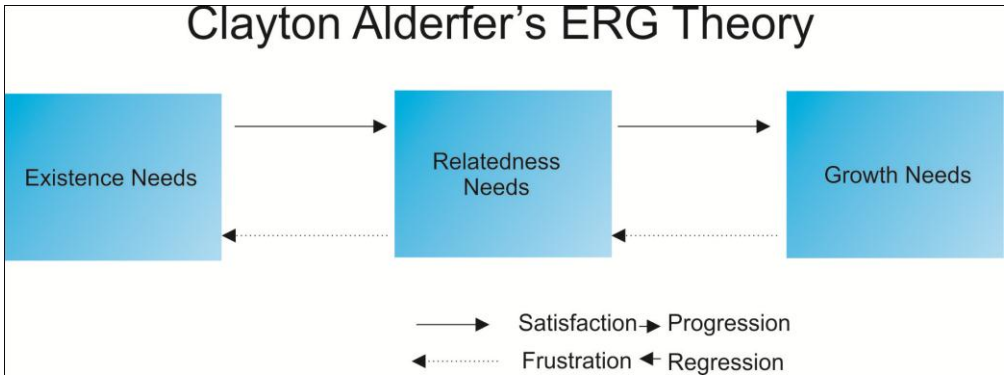


Fig 1.3 ERG Theory

Alderfer classified needs into three categories:

- **Existence needs -** including basic needs and some other factors such as fringe benefits in the work place.
- **Relatedness needs -** are by and large resembling with social needs mainly include need for interpersonal relations.
- **Growth needs -** reflect many aspects of need of achievement and self-actualisation including need for personal creativity and influence.

Although ERG theory is also based on need hierarchy, it differs from Maslow's need hierarchy on two grounds.

Alderfer stated that needs at more than one level may arise at a time as against the Maslow's assumption that at a time only one category need arises.

Alderfer stressed that when higher category of needs remain unfulfilled lower level needs will return even though they were already satisfied to a reasonable extent. In addition, Alderfer strongly felt that people move within the hierarchy of needs from situation to situation.

Both these theories of needs do provide useful inside into human needs, which greatly influence his working behaviour. The conclusions derived from

these theories may be used by the manager while thinking over and selecting suitable incentives to motivate the employees.

3. Herzberg's Two-Factor Theory

Herzberg's Two-Factor Theory is the brainchild of Frederick Herzberg. This is a type of motivation theory based on content motivation. It is a theory which motivates individual by means of finding and satisfying of individual requirements, desires and further works to satisfy individual expectations. According to Frederick Herzberg, who studied clinical psychology in Pittsburgh, believed that the theory is related to work which motivates several employees. The theory was published under Motivation to Work during the year 1959.

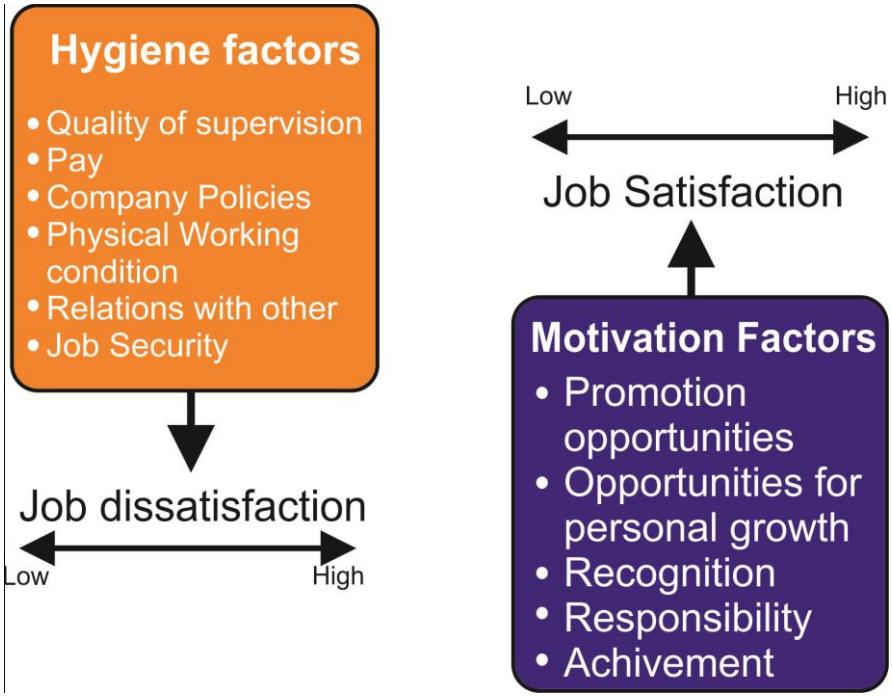


Fig 1.4 Herzberg's two-factor theory

This theory is based upon notion that motivation can be split into hygiene factors and motivation factors. He concluded that there were two types of motivation:

- Hygiene factor
- Motivation Factors

Hygiene factor shows dissatisfaction level which is the real creators of job satisfaction which covers:

- Supervision
- Interpersonal relations
- Physical working conditions
- Salary

Motivation Factors will cover motivation aspect in case of Job which includes:

- Achievement
- Advancement
- Recognition
- Responsibility

Such factors are basically the requirements that will avoid nasty goings-on and uneasiness while motivational scale is the requirement for personal development.

4. Theory X and Theory Y

US scientist McGregor came up with an approach which encouraged certain assumptions based on human behaviour. He worked on the theory of X and Y that believes on assumptions lay down by human behaviour. Though he was a great critic of the classical approach of management, even then his theory X is related to philosophy of traditional management, assumptions about employees and the way to manage them. Theory Y is based on humanistic assumptions about employees and describes the approaches to manage and motivate them.

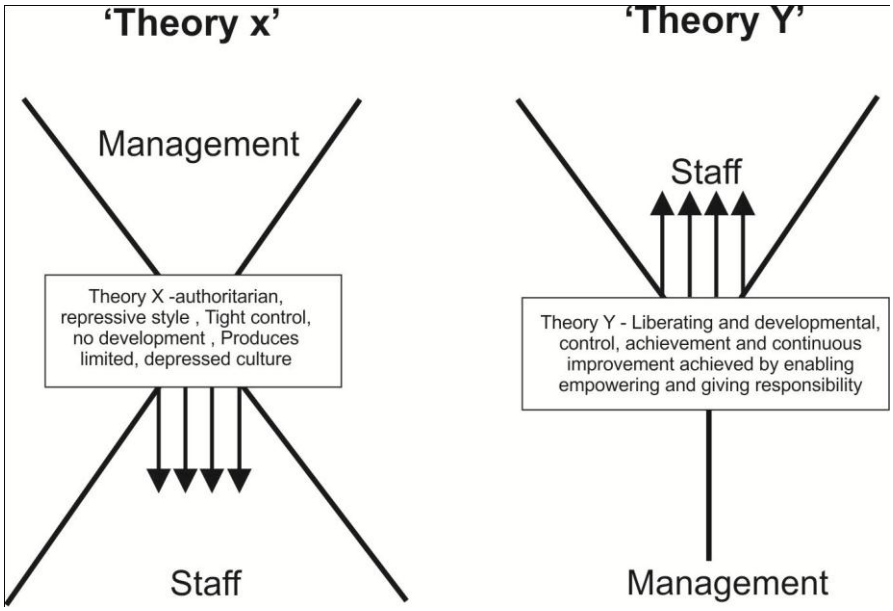


Fig 1.5 Theory X and theory Y

Theory X describes that:

1. An average employee in the organisation is lazy, dull and self-centred, resists change and does not want to share responsibility.
2. He has limited number of needs, mostly physical needs, and to some extent, security needs.
3. An average employee lacks responsibility and has little ambitions.
4. Thus, the responsibility of getting things done by others for achieving organisational goals lies on the managers and the managers must use coercive measures to control the workers and they must be threatened and punished as to get them to work.
5. To get the things done by the employees, McGregor suggested a rigid, bureaucratic and rule based organisation.
6. Narrow span of management, one way communication, close supervision, more concentration on monetary incentives and centralisation of managerial authority should be followed.
7. It was also thought necessary to guide, direct and control the employees in a strict manner.

Theory Y describes the following:

1. Work is as natural as play or rest for the workers.
2. An average employee or worker likes work, and is capable of assuming responsibilities and accepting challenges.
3. This class of workers is ambitious, achievement-oriented and capable of exercising self-control.
4. They have wide range of needs, both economic and non-economic.
5. They have potentials and they can learn to assume responsibility. They have imagination and creativity that can be applied to work.
6. In view of these assumptions, the role of management is to develop potentials and help the employees to use it for achieving common objectives.
7. Organisational structure should be marked by open communication, flexibility, informal relation and de-centralisation of authority.
8. The approach of management should include participative management, supportive supervisory style, self-direction and control, opportunity for

creativity and innovativeness and package of both monetary and non-monetary incentives.

5. Achievement Motivation Theory or McClelland's Theory of Need

This theory has a specific reference to industrial organisation, as the achievement motive has to do a lot with the success and failure of these organisations. David McClelland and his associates like John Atkinson and others in Harvard University, USA, have developed this theory of motivation. The main fundamentals of this theory are need for achievement, power and affiliation. This theory assumes that some people are much more achievement-oriented and open minded than others. Therefore, they get job satisfaction and derive special kind of pleasure in achieving an objective successfully or performing challenging job rather than receiving monetary and other rewards.

The balance between these drives varies from individual to individual. For example, one individual might have a strong need of affiliation while another might have a strong need for achievement. The blend of both makes for a successful organisation. The people with a high need of achievement would like to take responsibility for solving problems, so they tend to set moderately difficult targets for themselves and take calculated risks to meet these targets. Achievement-oriented individuals seek satisfaction in doing things better and in assuming important personal responsibility for solving the problems but the people with low achievement needs tend to perform either poorly or average in the same situation.

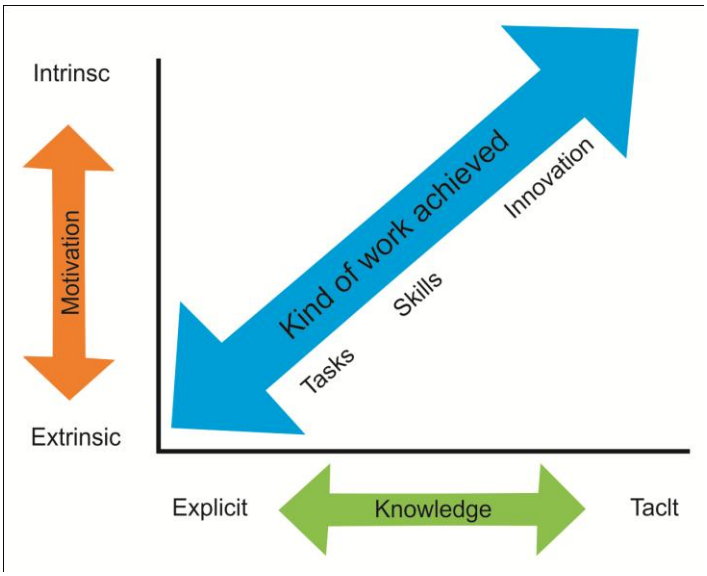


Fig 1.6 Achievement Motivation Theory

Similar to the need to achieve is the need for authority or the desire to dominate people and events which is considered one of the important motivational

factors. Such individuals, if given a position marked by higher authority and power, tend to perform better as compared to other positions having less power. Similarly, some other individual may derive satisfaction from better friendly interpersonal relations in work setting. They can be motivated by providing atmosphere of support and friendship and social affiliation. This need is more like a social need, which has been described earlier.

1.2.3 Importance of Motivation

Importance of motivation in management may be judged based on the following factors.

- **Effective use of resources:** In business, all physical resources are to be used through human force. Effective and competent use of these resources depends on the ability and reading of work force. If this work force is inspired to work professionally, they use the resources properly and strive to yield good results.
- **Higher efficiency:** Motivation is directly related to the level of efficiency. Highly motivated employees make full use of their energy and other abilities that raise the existing level of efficiency. They produce more as compared to other employees.
- **Accomplishment of organisational goals:** The process of motivation helps in shaping the working behaviour of the employees and making it desirable for achieving objectives. Highly motivated employees would make goal directed efforts. They are more committed and cooperative for seeking organisational goals.
- **Reduced labour turnover and absenteeism:** Highly motivated employees are the most important and valuable assets of the organisation. They are more loyal and sincere therefore they are meticulous in their work schedule and prefer to stay on the job for longer periods. These factors help in reducing slack behaviour and labour turnover.
- **Healthy industrial relation:** Motivation forms the base of good industrial relation. The employees who lack motivation will be unproductive and be unwilling to obey any rules. This might cause unrest amongst them. However, if they are inspired to work they will work efficiently and maintain discipline.

- **Improved corporate image**: Motivation also helps in improving an image of organisation. If employees are motivated, they produce more, they maintain self-discipline and productive internal environment in the organisation, which ultimately gives better impression to the outsiders dealing with an organisation and its image is enhanced.

1.2.4 Financial and Non-Financial Motivation

1. **Financial motivation -** means motivating employees by paying them in terms of money. Alternatively, we can say that any amount paid to an employee for motivation is financial motivation. In reality, despite the views of Herzberg that monetary methods of motivation have little value, firms still use money as a major incentive. There are a variety of payment systems that a business could use to motivate its employees:
    - Wages and Salaries
    - Piece-rate
    - Monetary Fringe Benefits
    - Performance-related pay
    - Profit-sharing
    - Share ownership
2. **Non-Financial Motivation -** is the process for retaining and developing people in organisations when times are tough. Non-financial motivation means motivating employees through non-financial means. After recruiting and training people, it is important that a company is able to retain them so that they prove beneficial for the company. This is because these employees will have relevant experience in due course of time. In order to ensure that such experienced employees continue to work for the company, they have to be motivated by means other than money. In fact, there are many effective methods for non-financial employees' motivation. Effective Methods for non- financial motivation are:
    - Job Enrichment
    - Fostering Teamwork
    - Empowerment
    - Fringe Benefits

- Training
- Seminar

1.2.5 Positive and Negative Motivation

As we know, motivation is concerned with inspiring a person to work in order to get the best results. This can be of two types:

Positive Motivation: Motivation actually means positive motivation in real sense. Positive motivation is done by providing positive incentives to an employee. The examples of positive motivations include promotion, praise, recognition, perks and allowances.

Negative Motivation: The idea about negative motivation results from reverse incentives who involves in correcting mistakes or faults of employees. The examples of negative motivation include demotion, transfer, fines and penalties.

The ultimate aim of both positive and negative motivation is to encourage an employee to perform well though their techniques are totally different. Whereas one approaches people to work in the best possible style providing better financial and non- financial incentives, the other tries to encourage them by cutting their wages and other facilities and services with the belief that people will correct themselves and work out of fear. The negative motivation is generally discouraged until the gravity of the offence becomes too much to be overlooked.

1.2.6 Group Motivation

Group morale reflects the general esprit de corps of a collective group of personality. Group morale is everyone's apprehension and should be taken into deliberation by the management, and also continually practiced, because it is never ultimately achieved and is constantly varying.

Just as good morale is important in the military for improved unit cohesion, in the same way the positive group morale helps in boosting unit cohesion within a setup. Without good morale, a force will be more likely to accept defeat and surrender. Morale is usually assessed at a collective, rather than an individual level. Esprit de corps is considered to be an important part of a fighting unit. In the same way a good morale is needed in any organization to carry out its functions effectively in order to achieve the organisational goals. Group

motivation involves motivating a team of people to work in a particular manner so that the organisational objectives may be achieved.

Check your progress 1

1. _____motivation is done through negative incentives.

   a. Positive.

   b. Negative.

   c. Financial

   d. Non-Financial.

2. _____ motivation means motivating employees by paying them in terms of money.

   a. Positive.

   b. Financial

   c. Negative

   d. Non-Financial

1.3 Leadership

Good leaders' are made not born. If you have the aspiration and willpower, you can become an effective leader. Good leaders develop through a never-ending process of self-study, education, training and experience.

There are certain ways and methods that can be employed to inspire labor force that they do their best and achieve their own and the organisational goals. There are certain things that you must know and do but these things are not inherited, instead they are acquired with consistent effort and toil. Good leaders are continually working and studying to improve their leadership skills; they are not resting on their laurels.

1.3.1 Definition and Meaning of Leadership

Leadership is a process by which a person influences others to accomplish an objective and directs the organization in a way that makes it more cohesive and coherent.



Fig 1.7 Leadership

- "Leadership is a process of giving purpose (meaningful direction) to collective effort and causing willing effort to be expended to achieve purpose." (Jacobs and Jaques)
- "Leadership is the process of influencing the activities of an individual or a group in efforts toward goal achievement in a given situation." (Hersey and Blanchard)
- "Leadership is an attempt at influencing the activities of followers through the communication process and toward the attainment of some goal or goals." (Donelly)
- "Leadership is defined as the process of influencing the activities of an organised group toward goal achievement." (Rauch and Behling)

1.3.2 Factors of Leadership

There are four major factors in leadership:

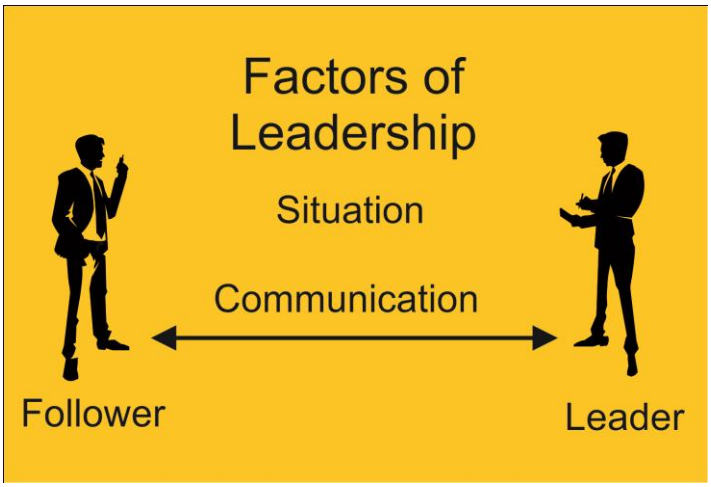


Fig 1.8 Factors of leadership

1. **Leader:** A leader should possess a thorough knowledge of himself, the degree of his potential and how he can exploit this potential in the best possible manner. He must have the capacity to motivate his followers and gain their complete confidence. These followers should never doubt their leader's capability.
2. **Followers:** People differ in personality, so they cannot be handled in the same manner. An efficient leader is one who considers this. For example, a new operative would need more guidance. A person who is a manager needs different type of motivation than one who is a supervisor. A leader should be apprehending the needs of his people, so that he would have a different approach for individual requirements. This consolidates the bond between the leader and his followers.
3. **Communication:** A good leader guides his followers through communication, especially non-verbal. If he speaks and lacks conviction or his tone does not match his body language, then he will not be taken seriously. Therefore, his manner of communication matters a lot.
4. **Situation:** A leader encounters different types of unpleasant situations every day. Moreover, no two situations area like or have the same solutions. An efficient leader uses his judgment and experience to tackle these situations and make decisions. For instance, if an employee is a habitual late comer, but an efficient worker, then the leader needs to consider very carefully

what action should he take in order to make him punctual without demotivating him.

Various forces will affect these four factors. Examples of forces are your relationship with your seniors, the skill of your followers, the informal leaders within your organisation and how your organisation is organised.

1.3.3 Theories of Leadership

The appearance of leadership motivates during beginning of 20th century which focuses on qualities that differentiates among leaders and followers. There are eight major types of theories:

1. **Great Man Theories:** This theory believes that the volume of leadership capacity is based on inheritancy. In this theory, the great leaders are posed as daring, mythic and give rise to leadership as required.
2. **Trait Theories:** Trait theory believes that people inherit many features and traits which can be suitable for great leadership. This theory feels that certain personality features are shared among by great leaders.
3. **Contingency Theories:** It is a leadership theory which focuses on desired variables which are based on environment that find out which style of leadership is best fitted for particular situation. In this theory the success is based on the amount of variables which will have leadership style, qualities of followers and characteristics of the situation.
4. **Situational Theories:** This theory allows the leaders to select the best course of action which depends on situational variables.
5. **Behavioural Theories:** It depends on the fact that great leaders are created and not born. The idea of this leadership theory is to enlight the actions of leaders which are not concerned with mental or internal states.
6. **Participative Theories:** Such theory suggests that an ideal leadership style depends upon input of others. In this the leaders give confidence while contributions from various group members thereby assuring members to be committed for decision making process.

7. **Management Theories:** Management theories (also known as transactional theories) focus on the role of supervision organisation and group performance. These theory base leadership on a system of rewards and punishments.

8. **Relationship Theories:** It is a transformational theory which explains about connections which originates among leaders and followers. In this, the leaders are motivated and will make the people inspired by way of helping certain group members by finding higher good of task.

1.3.4 Principles of Leadership

Following are the basic principles of Leadership:

- **Know yourself and seek self-improvement:** Learning is a never-ending process. A leader should always strive to look at his areas of improvement and work hard to minimise them without any prejudice. These can be accomplished through self-study, formal classes, reflection and interacting with others.
- **Be technically proficient:** A leader must be knowledgeable and efficient in his work. He must be also aware of the job responsibilities given to various employees.
- **Seek responsibility and take responsibility for your actions:** After delegating work, a leader should be able to direct his team towards achieving the ultimate aim. When things go awry and spin out of control, which does happen eventually — does not blame others. Instead of ruminating over what could have been done, a leader searches for what should be done.
- **Make sound and timely decisions:** Use good problem solving, decision making and planning tools.
- **Set the example:** Be a good role model for your employees. They must not only hear what they are expected to do, but also see. "We must become the change we want to see" - Mahatma Gandhi.
- **Know your people and look out for their well-being:** If a leader genuinely cares for his people, they will positively reciprocate.
- **Keep your workers informed:** Know how to communicate with not only them, but also seniors and other key people.

- **Develop a sense of responsibility in your workers:** This will ensure an increase in the efficiency of the employees. They will develop a positive attitude towards work.
- **Ensure that tasks are understood, supervised and accomplished:** Communication is the key to this responsibility.
- **Train as a team:** - Although many so-called leaders call their organisation, department, section, etc. a team; they are not really teams. They are just a group of people doing their jobs.
- **Use full capabilities of your organisation:** A capable leader has the ability to bring out the latent potential of his people. This will definitely help the whole organisation to progress.

1.3.5 Leadership Styles

Leadership style is the manner and approach of providing direction, implementing plans and motivating people. Kurt Lewin (1939) led a group of researchers to identify different styles of leadership. This early study has been very influential and established three major leadership styles. The three major styles of leadership are:

- Authoritarian or autocratic
- Participative or democratic
- Delegated or free reign

Although good leaders use all three styles, with one of them normally dominant, bad leaders tend to stick with one style.

Authoritarian (autocratic)



Fig 1.9 Authoritarian leadership

This style is used when leaders tell their employees what they want done and how they want it accomplished, without getting the advice of their followers. Some of the appropriate conditions to use it include the times when you have all the information to solve the problem, you are short on time and your employees are well motivated.

Some people are of the wrong opinion that using demeaning language and leading by threats and abusing their power will get the work done. This is not the authoritarian style, rather it is an abusive, unprofessional style called "bossing people around." It has no place in a leader's repertoire.

The authoritarian style should normally only be used on rare occasions. If you have the time and want to gain more commitment and motivation from your employees, then you should use the participative style.

Participative (democratic)



Fig 1.10 Participative Leadership

This style involves the leader including one or more employees in the decision making process which is a heady combination of the suggestions the juniors give employing the leader's acumen). However, the leader maintains the final decision making authority. Using this style is not a sign of weakness; rather it is a sign of strength that your employees will respect.

This is normally used when you have part of the information and your employees have other parts. Note that a leader is not expected to know everything - this is why you employ knowledgeable and skillful employees. Using this style is of mutual benefit - it allows them to become part of the team and allows you to make better decisions.

Delegative (free reign)



Fig 1.11 Delegative leadership

In this style, the leader allows the employees to make the decisions. However, the leader is still responsible for the decisions that are made. This is used when employees are able to analyzes situations and determine what needs to be done and how to do it. A single person cannot do everything, so the leader must set priorities and delegate certain tasks.

This is not a style to use so that the leader can blame others when things go wrong, rather this is a style to be used when he fully trust and confidence in the people below him. The leader should not be afraid to use it, however, use it wisely.

Check your progress 2

1. This style is used when leaders tell their employees what they want done and how they want it accomplished, without getting the advice of their followers.

   a. Participative. c. Delegated.

   b. Autocratic. d. Free reign

2. This style involves the leader including one or more employees in the decision making process (determining what to do and how to do it). However, the leader maintains the final decision making authority.

   a. Autocratic c. Delegated.

   b. Participative d. Free reign

1.4 Communication

Communication is a two way interaction comprising an exchange and progression of thoughts, ideas, knowledge and information towards a mutually accepted goal or direction. Here are some definitions by experts:

1.4.1 Definition of Communication

The American Society of Training Directors states, ‘The interchange of thought or information to bring about mutual understanding and confidence or global human relation.’

Brown: 'Communication is the transmission and interchange of facts, ideas, feelings or course of action.’

Alien Louis A: ‘Communication is the sum of all the things one person does when he wants to create understanding in the mind of another. It involves a systematic and continuous process of telling, listening and understanding’

Ordway Tead: ‘Communicating is a composite of information given and received, of a learning experience in which certain attitudes, knowledge and skills change, carving with them alterations of behaviour, of listening effort by all involved, of a sympathetic fresh examination of issues by the communicator himself, of a sensitive interacting points of view, leading to a higher level of shared understanding and common intention’.

1.4.2 Meaning of Communication

Communication is a process whereby information is enclosed in a package and is channelled and imparted by a sender to a receiver via some medium. The receiver then decodes the message and gives the sender a feedback. All forms of communication require three essentials: a sender, a message and an intended recipient; however, the receiver need not be present or aware of the sender's intent to communicate at the time of communication in order for the act of communication to occur.

Communication requires that all parties have an area of communicative commonality. There are auditory means, such as speech, song and tone of voice and there are nonverbal means, such as body language, sign language, paralanguage, touch, eye contact, through media, i.e., pictures, graphics and sound and writing.

1.4.3 Nature of Communication

The important characteristics of communication can be explained as follows:

- It is a 2-way process.
- Communication process happens between or among two or more parties. (sender and receiver)
- Communication involves exchange of ideas, feelings, information, thoughts and knowledge.
- Communication involves mutuality of understanding between the sender and receiver.
- There are two types of communication, i.e. verbal and non-verbal communication.

Further, below mentioned are the points, which must be considered for effective communication:

1. **Completeness:** The communication must be complete. It should convey all facts required by the audience. The senders of the message must take into consideration the receiver's mind set and convey the message accordingly.
2. **Conciseness:** Conciseness means wordiness, i.e. communicating what you want to convey in least possible words without forgoing the other C's of communication. Conciseness is a necessity for effective communication.
3. **Consideration:** Consideration implies "stepping into the shoes of others". Effective communication must take the audience into consideration, i.e. the audience's viewpoints, background, mind-set, education level, etc. It is an attempt to envisage your audience, their requirements, emotions as well as problems. Ensure that the self-respect of the audience is maintained and their emotions are not at harm. Modify your words in message to suit the audience's needs while making your message complete.
4. **Clarity**: Clarity implies emphasizing on a specific message or goal at a time, rather than trying to achieve too much at once.
5. **Courtesy:** Courtesy in message implies the message should show the sender's expression as well as should respect the receiver. The sender of the message should be sincerely polite, judicious, reflective and enthusiastic.
6. **Correctness:** Correctness in communication implies that there are no grammatical errors in communication.

1.4.4 Communication Process

The main components of communication process are as follows:

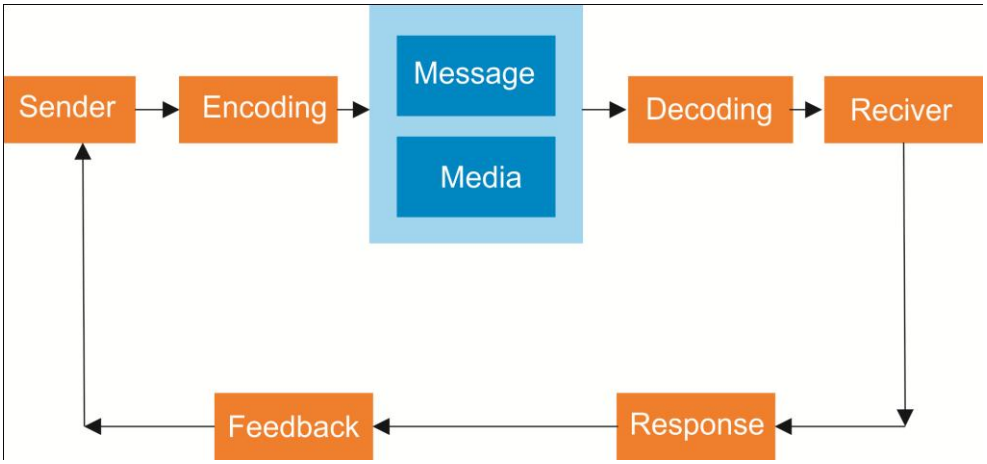


Fig 1.12 Communication process

1. **Context:** Communication is affected by various factors one of them being the context in which it takes place. This context may be physical, social, chronological or cultural. Every communication ensues within context. The sender chooses the message to communicate within a context.
2. **Sender / Encoder**: Sender / Encoder are a person who sends the message. A sender makes use of symbols (words or graphic or visual aids) to convey the message and produce the required response.
3. **Message:** Message is a key idea that the sender wants to communicate. It is a sign that elicits the response of recipient. Communication process begins with deciding about the message to be conveyed.
4. **Medium:** Medium is a means used to exchange / transmit the message. The sender must choose an appropriate medium for transmitting the message else the message might not be conveyed to the desired recipients.
5. **Recipient / Decoder**: Recipient / Decoder are a person for whom the message is intended / aimed / targeted.
6. **Feedback**: Feedback is the main component of communication process as it permits the sender to analyse the efficacy of the message.

1.4.5 Types of Communication

We can divide communication under three categories:

1. Oral/ verbal Communication

- Words
- Articulation

2. Written Communication

- Reports
- Illustrations
- Memos
- Telegrams
- Facsimiles (FAX)
- E-mails
- Tenders
- Letters
- Others

3. Non- verbal

- Body language
- Signs and symbols
- Territory /Zone
- Object language.

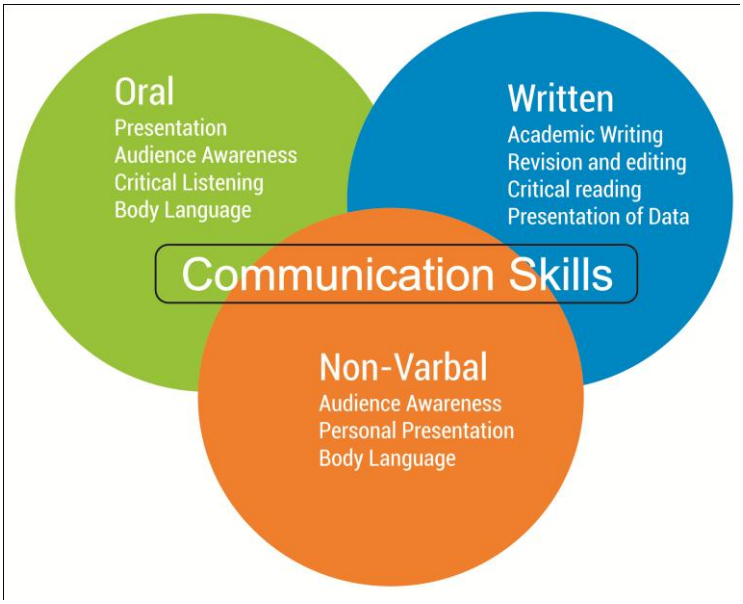


Fig 1.13 Types of Communication

1. **Verbal/Oral Communication:** Anything spoken by mouth is oral communication. Whatever is uttered from the mouth contains words and manner of pronouncing words. The manner of pronouncing words is called as articulation. Words both connote and denote meaning.

2. **Written Communication:** Written communication takes on a number of forms. It is the most formal of all types of communication. It is also the safest as it leaves little space for miscommunication. Although the manner and style may change according to typical manner of company. It is also bound by the dictates of the organisation.

3. **Non Verbal Communication:** This is an important part of communication. The medium of communication other than oral and written communication is non-verbal communications. Non-verbal communication includes the way an individual positions himself holds his hands, tilts his head, etc. Even the sender in this case maybe as clueless about his behaviour as the receiver. It is sometimes a natural behaviour. A receiver observes non-verbal communication 55% of the time. Effective and simultaneous use of oral and non-verbal communication is the most effective method of communication. Non-verbal communication may include the gestures, postures, signs, etc.

1.4.6 Barriers to Communication

When there is communication there are hindrances and obstacles that may erupt in the course of communication. These are called communication barriers. Following are the main communication barriers:

1. **Perceptual Differences:** This normally explains how an individual will understand the world around him. Normally, everyone wants to have a message which could be of use to him. It is found that the message which is not relevant is not accepted.
2. **Language Differences:** The linguistic differences will also focus on breakdown of communication aspect. Same word may mean different to different individuals. As an example, consider a word "value."
    - What is the value of this LCD tv in the market today?
    - I value our relation. Do you?
    - What is the value of vocational studies?

Thus the same word "Value" has a different meaning in different sentences.

3. **Information Overload:** It is seen that there are lots of information that is surrounded across the managers which can be controlled, misinterpreted or forgotten.
4. **Inattention:** Many times we simply do both actions hearing and listening. To have an effective communication, continuous or repetition of messages should be avoided.
5. **Time Pressures:** Often in organisation, the targets are time bound, the failure of which has adverse consequences. In a haste to meet deadlines, the formal channels of communication are shortened or messages are partially given, i.e., not completely transferred.
6. **Distraction/Noise:** The idea of communication here is that it gets affected through noise. The cause of physical distractions such as bad lightning, uncomfortable sleeping, unhygienic atmosphere also affects communication.
7. **Emotions:** Emotions play a vital role in communication as the extent of emotion can affect the communication for better or worse. On conclusion of communicator, if the receiver feels that it is angry, he/she will not interprets the information sent that could be bad as it is reverse in situation when communicator is happy.

8. **Complexity in Organisational Structure:** If there are many levels in an organisation, there are more chances of communication getting destroyed.

Check your progress 3

1. _____ is a person who sends the message.

   a. Decoder.

   b. Sender.

   c. Message.

   d. Individual.

2. _____takes on a number of forms. It is the most formal of all types of communication

   a. Oral Communication.

   b. Written Communication.

   c. Inter-personal Communication.

   d. Non-Verbal Communication.

1.5 Let Us Sum Up

In this unit we have learnt that motivation is a general inspirational process which gets the members of team to pull their weight effectively, to give their loyalty to the group, to carry out properly the tasks that they accepted and generally to play an effective part in the job that the group has undertaken.

It is studied that according to Abraham Maslow, classification of human needs in a logical convenient way is an important implication for managers.

As per Clayton Alderfer, the theory states that people attempt to meet a hierarchy of existence, relatedness and growth to seek one level of needs that would regress to lower level.

The Frederick Herzberg's motivation theory attempts to explain factors that motivated an individual to go through by identifying and satisfying individual needs, desires and aims to pursue.

The X and Y theory by Douglas McGregor, developed an approach which manages and motivates on various assumptions that are related to human behaviour.

There exist two types of motivations: Positive and Negative Motivation, where positive motivation inspires the people to put in their best efforts to increase efficiency while in negative motivation, the idea is to control negative efforts of work and creates sense of fear for worker.

It is studied that leadership relates to process where a person influences others to accomplish an objective and directs the organisation in a way that makes it more cohesive and coherent.

1.6 Answers for Check Your Progress

Check your progress 1

Answers: (1-b), (2-a)

Check your progress 2

Answers: (1-b), (2-b)

Check your progress 3

Answers: (1-b), (2-b)

1.7 Glossary

1. **Motivation -** It is an inspiration for the team members in a company by praising or giving incentives.
2. **Hierarchy -** It is a tree like structure which shows various levels in an organisation.
3. **Financial motivation -** It is related to motivating an employee by paying him money.
4. **Non-financial motivation -** It is related to motivating an employee by way of non-financial means.
5. **Communication -** It is transfer of information from the sender to receiver or vice versa.

1.8 Assignment

What are the meaning, definition and nature of Motivation? Explain importance of motivation.

1.9 Activities

Define Leadership. What are the four factors of leadership? Explain principles of leadership.

1.10 Case Study

'Things That Motivate Me' Task

Circle the numbers of the six items from the following list that you believeare most important in motivating you to do your best work. Then rank the six selected items, with the most important item 1, the second most important item 2 and so on.

1. _____Having steady employment
2. _____Being respected as a person
3. _____Having adequate rest periods or coffee breaks
4. _____Receiving good pay
5. _____Working in good physical conditions
6. _____Having a chance to turn out quality work
7. _____Getting along well with others on the job
8. _____Having a job close to home
9. _____ having a chance for promotion
10. _____Having an opportunity to do interesting work
11. _____Receiving pensions and other security
12. _____Not having to work too hard
13. _____Knowing what is going on in the organisation
14._____Feeling my job is important.
15._____Having an employee council

16._____Having a written job description

17._____Being told by my boss when I do a good job

18._____Getting a performance rating

19. _____Attending staff meetings

20._____Agreeing with the organisation's objectives

21. _____Having an opportunity for self-development and improvement

22._____Having fair vacation arrangements

23. _____Knowing I will be disciplined if I do a bad job.

1.11 Further Readings

1. Principles of Management, B.S. Moshal, Galgotia Publications.
2. Management Text and Cases, VSP Raoand V. Hari Krishna, published by Anurag Jain for Excel books.
3. Principles of Management, Edition 2, P. C. Tripathi and P. N. Reddy, Tata McGraw Hill Publishing Company.

UNIT 2: SOCIAL RESPONSIBILITIES OF BUSINESS

Unit Structure

2.0 Learning Objectives

2.1 Introduction

2.2 Social Responsibility

2.2.1 Meaning of Social Responsibility

2.2.2 Definition of Social Responsibility

2.2.3 Features of Social Responsibility

2.2.4 Scope of Social Responsibility

2.3 Social Responsibility of Managers

2.3.1 Benefits of Manager's Social Responsibility

2.3.2 Limitations to Manager's Social Responsibility

2.4 The Interested Groups

2.4.1 Share Holders

2.4.2 Workers

2.4.3 Customers

2.4.4 Creditors, Suppliers and Others

2.4.5 Government

2.4.6 Society

2.5 Indian Businesses and Social Responsibility

2.6 Let Us Sum Up

2.7 Answers for Check Your Progress

2.8 Glossary

2.9 Assignment

2.10 Activities

2.11 Case Study

2.12 Further Readings

2.0 Learning Objectives

After learning this unit, you will be able to understand:

- The Meaning and Definition of Social Responsibility.
- Features and Scope of Social Responsibility.
- Benefits and limitation to Social Responsibility of Managers.
- The Interest Groups, viz., Share Holders, Workers, Customers, Creditors, suppliers and Others, Government and Society.
- Indian Businesses and Social Responsibility.

2.1 Introduction

In the previous unit, you studied that Controlling is the process of comparing actual performance with standards and taking necessary corrective action. You also studied co-ordination, which embodies the core of management and its purpose is to achieve the common objective. Conflict is a process in which an effort is purposefully made by one person or unit to block another that results in frustrating the attainment of other's goals or the furthering of his or her interests.

Further, you are going to study about social responsibilities of a business towards various parties. These parties are consumers, community, workers, employees, shareholders, other businesses and government and so on. The business has its obligations towards all of them.

2.2 Social Responsibility

Social responsibility is a doctrine that claims that an entity, whether it is state, government, corporation, organisation or individual, has a responsibility to society. Many people, particularly libertarians, assert that there is no "social responsibility" to do anything. They argue that social responsibility only exists to the extent that an individual or business should not initiate physical force, threat of force or fraud against another.



Fig 2.1 Social Responsibility of Business

In his famous article, "The Social Responsibility of Business is to Increase Profits," Nobel Economist, Milton Friedman asserts that business has no social responsibility other than to increase profits and refrain from engaging in deception and fraud. He maintains that when business seeks to maximize profits, it almost always incidentally does what is good for society.

Friedman does not argue that business should not help the community but that it may indeed be in the long-run self-interest of a business to "devote resources to providing amenities to the community..." in order to "generate goodwill" and thereby increase profits.

2.2.1 Meaning of Social Responsibility

Social responsibility is an imprecise idea and hence is defined in various ways. Adolph Berle has defined social responsibility as the manager's responsiveness to public consensus. This means that social responsibilities are bound to differ and would not remain the same for all countries at the same time. These would be determined and would vary from case to case according to the customs, religions, traditions, level of industrialization and a host of other norms and standards about which there is a public consensus at any given time in a given society.

According to Keith Davis, the term social responsibility refers to two types of business obligations:

- The socio-economic obligation
- The socio-human obligation

The socio-human obligation of every business is to nurture and develop human values (such as morale, cooperation, motivation and self-realization in work. Every business firm is conglomerate of economic and political systems with an inevitable space for foreign relations. It is at the centre of a network of relationships to persons, groups and things. The businessman should, therefore, consider the impact of his actions on all to which he is related. Business should be carried out in such a manner that it becomes a profitable venture for everyone from the employees, investors, consumers, to the government and the general public. His task is to mediate among these interests, to ensure that each gets a square deal and that nobody's interests are unduly sacrificed to those of others.

2.2.2 Definition of Social Responsibility

From conceptual point of view, SR has been defined by Davis as follows:

"Social responsibilities refer to the businessman's decisions and actions taken to reasons at least partially beyond the firm's direct economic or technical interest."

This is a broad definition of SR and prescribes actions not related to the interests of the organisation. Andrews have suggested still broader view when he says that:

"By social responsibility, we mean the intelligent and objective concern for the welfare of society that restrains individual and corporate behaviour from ultimately destructive activities, no matter how immediately profitable and leads in the direction of positive contributions to human betterment, variously as the latter may be defined."

Both of these definitions prescribe some actions by managers for the betterment of the society but do not prescribe the actions precisely. Therefore, most business managers prefer words other than SR because these words to them con note a fixed obligation. They prefer such synonyms as social concern, social programmes, social challenge, social commitment or concern with public problems. However, the term SR has been widely recognised and its operational definition may be as follows:

Social responsibility contends that management is responsible to the organisation itself and to all the interest groups with which it interacts. Other

interest groups such as workers, customers, creditors, suppliers, government and society in general are placed essentially equal with shareholders.

2.2.3 Features of Social Responsibility

Based on this definition, following features of SR can be identified:

1. The SR contains three types of behaviour- positive, neutral and negative. The negative and neutral aspects of behaviour areas important as positive.
2. Every person in the society has a social obligation to fulfil. However, the emphasis is on social responsibility of management as a group because it is in a position to use the resources of the society in the way it likes. Therefore, it must be conscious about its SR.
3. SR involves fulfilling obligations to various parties concerned with the functioning of an organisation. Some of these parties are concerned directly. Others may be concerned indirectly.
4. The standards fixed for fulfilling obligations to various parties are to be decided according to social norms and expectations. Therefore, these obligations may vary from society to society.

2.2.4 Scope of Social Responsibility

Social responsibility and business ethics while working alongside each other tell what a business organisation should do. The issue of responsibilities of business towards society merits consideration in all phases of business growth.

The scope of social responsibility is comprehensive and can be considered in terms of diverse factors. Some people cogitate social responsibility in terms of employees, customers and shareholders.

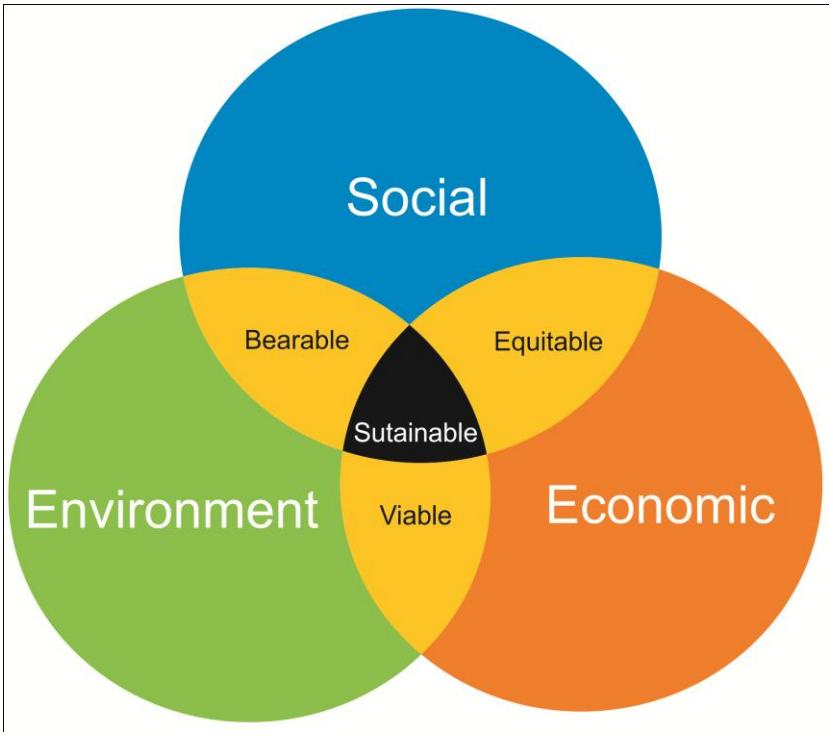


Fig 2.2 Scope of Social responsibility

Thus, the business organisations, depending on their nature and size, can extend social responsiveness to the problems of the local community and the nation at large.

Business organisations can classify social responsibility in terms of relatedness to their own activities or otherwise.

Check your progress 1

1. Adolph Berle has defined social responsibility as the manager's responsiveness to public consensus.
   a. True
   b. False
2. Social responsibility contends that management is responsible to the organisation itself and to all the interest groups with which it interacts.
   a. True
   b. False

2.3 Social Responsibility of Managers

Social responsibility (SR) of managers predominantly in business organisations has, of late, been one of the most spoken of.. Traditionally the fundamental objective of a business has been defined in terms of profit maximisation. The first break came in the 1930s when the view was radical and accepted that managers of large companies must make decisions, which maintain an equitable balance among the shareholders, employees, customers, suppliers and public. Managers took painstaking measures to meet the interests.. Such a view was later developed as the social responsibility.



Fig 2.3 Social responsibility of Managers

The phrase social responsibility is widely used in the literature of sociology, anthropology, economics, politics and business management. However, conceptually as well as in practice also, this has been a volatile, vague and confused area. Conceptually, there is confusion as to the exact meaning of SR is and how it works in practicality. . From a practical point of view, the response from business has gone on providing a spectrum ranging from mere verbal sympathy to multi-lakh rupees concrete programmes in our country.

2.3.1 Benefits of Manager's Social Responsibility

Social responsibility is defined as the obligation and commitment of managers to take steps for protecting and improving society's welfare along with protecting their own interest. The managers must have social responsibility because of the following reasons:

- **Organisational Resources:** An organisation has a diverse pool of resources in the form of men, money, competencies and functional expertise. When an organisation has these resources, it is in better position to work for societal goals.
- **Precautionary measure**: If an organisation lingers on dealing with the social issues now, it would land up putting out social fires so that no time is left for realizing its goal of producing goods and services. Practically, it is more cost-efficient to deal with the social issues before they turn into disaster consuming a large part of managements time.
- **Moral Obligation**: The acceptance of a managers' social responsibility has been identified as a morally appropriate position. It is the moral responsibility of the organisation to assist solving or removing the social problems.
- **Efficient and Effective Employees**: Recruiting employees becomes easier for socially responsible organisation. Employees' are attracted to contribute for more socially responsible organisations. For instance, tobacco companies have difficulty recruiting employees with best skills and competencies.
- **Better Organisational Environment:** The organisation that is most responsive to the betterment of social quality of life will consequently has a better society in which it can perform its business operations. Employee hiring would be easier and employee would be a superior quality. There would be low rate of employee turnover and absenteeism. Because of all the social improvements, there will be low crime rate; consequently, less money would be spent in form of taxes and for protection of land. Thus, an improved society will create a better business environment.

2.3.2 Limitations to Manager's Social Responsibility

A manager's social responsibility is not free from some criticisms, such as:

- **High Social Overhead Cost**: The cost on social responsibility is a social cost, which will not instantly benefit the organisation. The cost of social responsibility can lower the organizational efficiency and effect to compete in the corporate world.
- **Cost to Society**: The costs of social responsibility are transferred on to the society and the society must bear with them.
- **Lack of Social Skills and Competencies**: The managers are best at managing business matters but they may not have required skills for solving social issues.
- **Profit Maximization**: The main objective of many organisations is profit maximization. In such a scenario, the manager's decisions are controlled by their desire to maximize profits for the organisations shareholders while reasonably following the law and social custom. Social responsibility can promote the development of groups and expand supporting industries.

Check your progress 2

1. _____employees becomes easier for socially responsible organisation.
   a. Recruiting
   b. Resources
2. An organisation has a diverse pool of _____in form of men, money, competencies and functional expertise.
   a. Resources
   b. Recruiting

2.4 The Interested Groups

SR requires the identification of several interest groups, which have the potential to affect the functioning of a business organisation and may be affected by its functioning. Normally various groups associated with a business organisation are shareholders, workers, customers, creditors, suppliers,

government and society in general. The management owes responsibility towards all these groups. Therefore, the management should show a standardised norm of behaviour. However, the standard norm of behaviour may not be universal. We are more concerned with Indian situation while prescribing the norms of behaviour in respect of fulfilling obligations to various interest groups. Various norms have been suggested through seminars and conferences in our country and our attempt is to present an integrated view.

2.4.1 Share Holders

The first responsibility of management is to protect the interest of shareholders. The interests of majority of shareholders and large minority of shareholders are generally well protected through either direct participation in the management actions or they have real power to intervene, if necessary. However, large numbers of minority shareholders are not in such a position. Therefore, management is expected to use the resources provided by them effectively and to protect their interests. They should be informed about the functioning of the organisation adequately and timely. Though the provisions of the Companies Act provide safeguard to the investment made by shareholders, whether minority or otherwise, management can find loopholes in these. Therefore, management has a responsibility to provide proper safeguard to the money invested by shareholders.

2.4.2 Workers

Workers have a direct interest in an organisation because by working there, they satisfy their needs. Here there is a fair barter system. The worker lends his skills in return for a financial remuneration. The traditional economic concept of organisational functioning does not give workers their proper share in the distribution of income. The owners and managers have too much power under the economic state of affairs. Thus, it is the management's responsibility to protect the interest of workers in the organisation. The management can do this in the following ways:

1. The management should treat workers as another wheel of the cart.
2. The management should develop administrative process in such a way that promotes cooperative endeavour between employers and employees.
3. The management should adopt a liberal labour policy based on recognition of genuine trade union rights- involvement of workers in management,

creating a sense of belongingness, improving their work and living conditions.

4. The management should pay fair and reasonable wages and provide other financial benefits to workers from time to time.

2.4.3 Customers

A customer may broadly be defined as a person who has a favourable impression of a company and its products and services. Thus, a person may be categorised as customer even though he may not have committed the act of buying; he may be only a potential customer. Management owes a primary obligation to give a fair deal to customers. This can be done in the following ways:

1. Customers should be charged a fair and reasonable price.
2. The supply of goods and services should be of uniform standard and of reasonable quality.
3. The distribution of goods and services should be widespread so that customers do not face any problems in procuring them.
4. Management should not indulge in profiteering, hoarding or creating artificial scarcity.
5. Management should not lure customers by false, misleading and exaggerated advertisements.

2.4.4 Creditors, Suppliers and Others

Creditors, suppliers and other groups affect the organisation in numerous ways. . Therefore, the management is accountable to them and must fulfil its obligations. This can be done in the following ways:

1. Management should create healthy and cooperative inter-business relationship between different businesses.
2. Management should provide accurate and relevant information to creditors and suppliers.
3. Payments of price of materials, interest on borrowings, other charges should be prompt.

2.4.5 Government

The Government is very closely related with the business system of the country. It provides various facilities for the development of business. No doubt, the government exercises controls over business, but these controls are meant for overall development of business. The management can discharge its obligation to government in the following ways:

1. The Management should be law-abiding.
2. The management should pay taxes and other dues fully, timely and honestly.
3. It should not corrupt public servants and democratic process.
4. It should not buy political favour by any means.

2.4.6 Society

Organisations exist within a social structure and get amenities from the system. Therefore, they owe responsibility to the society as a whole. It is the obligation of management to protect the interest of society because management process is determining the life in the society. In this context, management should have in the following ways.

1. Management should maintain reasonable business policies and practices.
2. It should set up socially desirable standards of living and avoid ostentation and wasteful expenditure.
3. It should play proper role in civic affairs.
4. It should provide and promote general amenities and help in creating better living conditions in general.

Check your progress 3

1. A _____may broadly be defined as a person who has a favourable impression of a company and its products and services.
   a. Customers.
   b. Suppliers.
   c. Government
   d. Society.

2. The first responsibility of management is to protect the interest of _____

a. Shareholders.

b. Creditors.

c. Suppliers.

d. Government.

2.5 Indian Businesses and Social Responsibility

Social responsibility is an ancient idea that has been successfully passed on from generation to generation in our country. The concept of parting with a portion of one's surplus wealth for the good of society has prevailed through ages in India.

The business community occupied a significant place in ancient Indian Society. This was primarily owing to the fact that merchants were treated with respect because of their services towards society.

Merchants provided reliefs in times of famine or epidemics, built and maintained temples, dharamshalas, bathing ghats and installed tube wells and sank wells for providing drinking water facilities.

They also built hospitals, educational institutions and art museums for the benefit of society. During the freedom struggle period, many businessmen had made political donations for the purpose and had contributed to many of the social and cultural causes associated with the movement such as revival of Indian art and culture.

Many of India's leading businessmen such as GD Birla, Jamnalal Bajaj, Lala Shri Ram and Ambalal Sarabhai and others came under the influence of Mahatma Gandhi and his Theory of Trusteeship of Wealth was well accepted. They contributed liberally for his programmes for removal of untouchables, women's emancipation, rural reconstruction, building institutions and infrastructural facilities.

Even after independence, the nation looked to the business community and they responded by creating more wealth and utilizing part of it for social causes.

They built institutes of scientific and technological research as well as art academics and institutes for the study of Indian history and culture.

Many of the best Indian Institutions in several fields such as Tata Institute of Fundamental Research, The Birla Institute of Technology, J. K. Institute of Sociology and Human Relations, Shri Modi Eye Hospital and Ophthalmic Research, Dr. B.P. Godrej Centre, AMM Murugappa Chetiar Research Centre, Shri Ram Collage of Commerce and many others.

The social responsibility of business is a contentious subject. It is far reaching and includes voluntary and philanthropic social activity and revolves around ethical rather than legislative behaviour.

Business depends upon the society for its input resources such as manpower materials and natural resources like water, air and light. Business also needs society to buy goods and its production and provide money. In short, the business thrives on society for its very survival, sustenance and encouragement.

In India, a large number of companies like TISCO, DCM, Mafatlal Group, Hindustan Steel Ltd., Escorts Ltd., Godrej, Kirloskars, Alembic, etc. have provided a place of importance to social action programmes. Social responsibility is seen as an imperative check to business and a large percentage of managers allot a high place for social responsibilities with converse of profit. However, the process of social pledge in India is somewhat different. It takes the form of various following initiatives:

- Developing social trusts
- Following anti-pollution measures
- Adopting villages for achieving all-round progress and development
- Building family planning clinics for the promotion of workers and residents
- Allocating a fixed percentage of profit to train unemployed engineer, technicians
- Community development activities like:
    - Provision of drinking water facilities
    - Conducting social audit on a voluntary basis
    - Providing medical, recreational facilities
    - Conducting tournaments to promote sports talent
    - Undertaking consumer education campaigns
    - Avoiding unethical, deceptive advertising

1. **Bajaj Auto:** The Company has been running a Samaj Seva Kendra at Akurdi near Pune since 1975 with 900 families as members. The Kendra aims at …….refining the quality of life of its members (education, health care, vocational training etc.). The company also runs the Janki Devi Bajaj Gram Vikas Sanstha near Pune. The Sanstha's aim is to promote rural development (water management, procuring vital agricultural inputs, feed and vaccination for livestock, sanitation, etc.).

2. **Larsen and Toubro:** The Company spends about fifty million annually on social projects. In healthcare, it sponsors efforts directed towards birth control, mother and child care organises camps to check for tuberculosis, leprosy and special surgery camps along the lines of the Life Line Express - the world's first ever hospital on rails. L&T also helps the local populace to source seeds, improve soil quality and encourages dairy and poultry development in and around the areas of its work. Finally, as part of its environment enhancement schemes, it assists in afforestation and promoting biogas plants and smokeless chulhas.

3. **Shriram Investments:** The Shriram Group formed a trust in 1992 to carry out its social projects. It runs 5 schools for over 2,000 children. The group runs a home for orphans. The group offers work sheds along with capital and management support to women in Thanjavur who make incense sticks and candles. In 1995, the group had launched the Shriram Rural Development Project in Kanchipuram district of Tamilnadu with a view to reduce in debtedness and offer credit to rural population at concessional rites.

4. **Tata Steel:** Tata Steel has been a pioneer in employee welfare in the country and has acted as a beacon for labour lawmakers. Tata Steel adopted several welfare measures for employees, decades before they were incorporated in the country's laws. These include an eight-hour working day, leave with pay, maternity benefit and leave, workers' provident fund and paying gratuity on retirement.

   Beyond employee welfare, Tata Steel has been involved in social projects that include environmental conservation activities, education, vocational training and healthcare for the underprivileged, revival of traditional arts and crafts and sports development.

   The company has been running a community development and social welfare department since 1958 that takes care of the educational and vocational training needs of the underprivileged in and around Jamshedpur.

The department acts as catalytic enabler rather than doer, so that the hutment dwellers become more responsible citizens and participate in improving their own quality of life.

The company founded a tribal cultural centre to promote tribal customs, arts and habits. It organises an annual fair at Jamshedpur, which serves as a marketing platform for traditional, handicraft-. It has also set up link roads, irrigation facilities, and sports activities for the advantage of society at large. It has started the planting of new trees over a period of 1000 days since June 1997 (also in other locations now).

5. **Otis Elevator Co India:** Otis emphasises on socially responsive activities by enlightening the lot of the mentally retarded or "special people." Worldwide, Otis has been involved in endorsing sports for these special people. As part of this initiative, Otis India sponsored 350 special; athletes from Maharashtra for the World Special Olympics in 1995. Since then, Otis employees of all ranks have been involved in fund raising for this cause, on a voluntary basis. Through these fund-raising efforts, company employees have been able to help equip special schools with items like fans, music systems, sewing machines, wheelchairs, hearing aids, learning aids, books, etc. Regular medical camps are also undertaken at an orphan home for the mentally retarded. Not only that, many company employees are motivated enough to take out time to repair and paint furniture for such schools and participate in various festivities with the special children. The work put in by Otis India's Team Otis in this regard, helped it bag the Special Partnership Award for 1596 and 1997 from the Otis organisation that is judged by Special Olympics International, Washington, USA.

Check your progress 4

1. Social responsibility is seen as an important check to business and a large percentage of _____allot a high place for social responsibilities with converse of _____

   a. Managers, Profit

   b. Supervisors, Loss

2.6 Let Us Sum Up

In this unit we have studied that according to Keith Davis, the meaning of social responsibility refers to two types of business obligations that can be socio-economic and socio-human obligations

It is seen that social responsibility of managers in terms of business organisations is one of most talked about and widely supported subjects where managers of large companies decides about maintaining equitable balance among shareholders, employees, customers, suppliers and public.

The concept of social responsibility is parting with portion of one's surplus wealth for good of society that prevails through ages. It is a business community which occupies significant place in ancient society.

2.7 Answers for Check Your Progress

Check your progress 1

Answers: (1-a), (2-a)

Check your progress 2

Answers: (1-a), (2-a)

Check your progress 3

Answers: (1-a), (2-a)

Check your progress 4

Answers: (1-a)

2.8 Glossary

1. **Motivation -** Any influence that brings out directs or maintains goal directed behavior.
2. **Planning -** It is the process of deciding in advance what is to be done, when and where it is to be done, how it is to be done and by whom.

3. **Management -** The attainment of organisational goals in an efficient and effective manner through planning organising, leading and controlling organisational resources.
4. **Mission -** The organisation's purpose or fundamental reason for existence of work in order to improve worker efficiency.
5. **Coordination -** Orderly arrangement of group efforts to provide unity of action in the pursuit of a common purpose.

2.9 Assignment

Define social responsibility. Give its meaning and features. What is the scope of social responsibility?

2.10 Activities

What are the social responsibilities of a manager? What are the benefits and limitations to manager's social responsibility?

2.11 Case Study

1. Consider yourself as entrepreneur and say how you will fulfil the social responsibility of your business.
2. Conduct a survey at your nearby industry and prepare a report on social responsibility of concern.

2.12 Further Readings

1. Principles of Management, B.S. Moshal, Galgotia Publications.
2. Management Text and Cases, VSP Raoand V. Hari Krishna, published by Anurag Jain for Excel books.
3. Principles of Management, Edition 2, P. C. Tripathi and P. N. Reddy, Tata McGraw Hill Publishing Company.
4. Essentials of Management, Harold Koontz and Heinz Weihrich, Tata McGraw Hill.

UNIT 3: STRATEGIC MANAGEMENT

Unit Structure

3.0 Learning Objectives

3.1 Introduction

3.2 Strategic Management

3.2.1 Definition and Meaning of Strategic Management

3.2.2 Elements of Strategic Management

3.2.3 Scope and Dimension of Strategic Management

3.2.4 Strategic Management Process

3.2.5 Importance of Strategic Management

3.3 Strategic Decision

3.3.1 Characteristics/Features of Strategic Decisions

3.3.2 Strategic Decisions, Administrative Decisions and Operational Decisions

3.4 SWOT

3.4.1 SWOT Analysis

3.4.2 Advantages of SWOT Analysis

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3.5 BCG Matrix

3.5.1 BCG Matrix Analysis

3.5.2 Limitations of BCG Matrix

3.6 Let Us Sum Up

3.7 Answers for Check Your Progress

3.8 Glossary

3.9 Assignment

3.10 Activities

3.11 Case Study

3.12 Further Readings

3.0 Learning Objectives

After learning this unit, you will be able to understand:

- The Scope, Dimensions and Importance of Strategic Management.
- Strategic Management Process.
- Meaning and features of Strategic Decision.
- Difference between Strategic, Administrative and Operational Decisions.
- SWOT Analysis, Advantages and limitations of SWOT Analysis.
- BCG Matrix analysis and its limitations.

3.1 Introduction

In the previous unit, you read about social responsibility of business towards various interest groups. Management has a responsibility towards these groups and has to fulfill this responsibility at its best for proper functioning and growth in the future.

Now, in this last unit, you will read about strategic management. Strategic Management is systematic analysis of the factors concomitant with the external environment and the internal environment to provide the basis for reconsidering the current management practices. Its objective is to achieve better configuration of corporate policies and strategic priorities. Then you will also study SWOT and BCG Matrix Analysis.

3.2 Strategic Management

Strategic Management is all about identification and description of the strategies that managers can carry to achieve better performance and a competitive advantage for their organisation. An organisation is said to have competitive advantage if its profitability is higher than the average profitability for all companies in its industry.

The manager must have an exhaustive knowledge and scrutiny of the general and competitive organisational environment to take right decisions. They should conduct a SWOT Analysis (Strengths, Weaknesses, Opportunities and Threats), i.e., they must make potential utilization of strengths, diminish the

organisational weaknesses, make use of arising opportunities from the business environment and should not ignore the threats.

Strategic management is planning for both foreseeable as well as unfeasible contingencies. It is applicable to both small as well as large organisations as even the smallest organisation face competition and, by expressing and executing suitable strategies, they can attain sustainable competitive advantage.



Fig 3.1 Strategic Management

Strategic Management is a way in which strategists establish the objectives and advance in different ways to attain them. It deals with making and implementing decisions about future direction of an organisation. It helps us to identify the direction in which an organisation is moving.

Strategic management is a continuous process that evaluates and controls the business and the industries in which an organisation is involved, evaluates its competitors and sets goals and strategies to meet all existing and potential competitors and then re-evaluates strategies on a regular basis to determine how they are implemented and whether it was successful or does it needs replacement.

Strategic Management gives a comprehensive standpoint to the employees of an organisation for them to understand how their roles at both an individual level and in a group fits into the entire organisational plan and how it is co-related to other organisational members. It is nothing but the art of managing employees in a manner, which capitalize on the ability of attaining business objectives. The employees become more trustworthy, more committed and more satisfied as they can co-relate themselves very well with each organisational task. They can recognise the reaction of environmental changes on the organisation and the likely response of the organisation with the help of strategic management. Thus, the employees can judge the impact of such changes on their own job and can

effectively face the changes. The managers and employees must do appropriate things in appropriate manner. They need to be both effective as well as efficient.

One of the major roles of strategic management is to incorporate various functional areas of the organisation completely, as well as, to ensure these functional areas harmonize and get together well. Another role of strategic management is to keep a continuous eye on the goals and objectives of the organisation.

3.2.1 Definition and Meaning of Strategic Management

The term strategic management is used to refer to the entire scope of strategic-decision making activity in an organisation. Strategic management as a concept has evolved over time and will continue to evolve. As a result, there are a variety of meanings and interpretations depending on the author and sources. For example, some scholars and practitioners the term strategic planning connote the total strategic management activities. Moreover, sometimes managers use the terms strategic management, strategic planning and long-range planning interchangeable. Finally, some of the phrases are used interchangeably with strategic management are strategy and policy formulation and business policy.

The following statements offer a number of workable definitions of strategic management:

"Strategic management is the process of managing the pursuit of organisational mission while managing the relationship of the organisation to its environment." **(**James M. Higgins)

"Strategic management is defined as the set of decisions and actions resulting in the formulation and implementation of strategies designed to achieve the objectives of the organisation. (John A. Pearce II and Richard B. Robinson, Jr.)

"Strategic management is the process of examining both present and future environments, formulating the organisation's objectives and making, implementing and controlling decisions focused on achieving these objectives in the present and future environments." (Garry D. Smith, Danny R. Arnold, Bobby G. Bizzell)

"Strategic management is a continuous process that involves attempts to match or fit the organisation with its changing environment in the most advantageous way possible."(Lester A. Digman).

3.2.2 Elements of Strategic Management

Strategic management, as minimum, includes strategic planning and strategic control. Strategic planning describes the periodic activities undertaken by organisations to cope with changes in their external environments (Lester A. Digman).

Strategic planning entails formulating strategies from which overall plans for implementing the strategy are developed. Further, strategic planning includes conveying and appraising alternative strategies, choosing a strategy and developing meticulous plans for putting the strategy into practice. Strategic control consists of ensuring that the chosen strategy is being implemented properly and that it is producing the desired results.

Based on Robert Anthony's framework, three types of planning and control are required by organisations:

- **Strategic Planning and Control:** This is the process of deciding on changes in organisational objectives, in the resources to be used in attaining these objectives, in policies governing the acquisition and use of these resources and in the means (strategies) of attaining the objectives. Strategic planning and control involve actions that change the character or direction of the organisation.
- **Management Planning and Control:** This entails the process of ensuring that resources are acquired and used resourcefully in the completion of the organisation's goals. Management planning and control is approved within the framework established by strategic planning and is analogous to operating control.
- **Technical Planning and Control:** This is the process of guaranteeing an efficient acquisition and utilisation of resources, with regards to activities for which the optimum relationship between outputs and resources can be accurately estimated (e.g. financial, accounting and quality controls).

  Another important term in the study of strategic management is long-range planning. Long-range planning, planning for events beyond the current year, is not synonymous with strategic management (or strategic planning). Not all long-range planning is strategic. Certain strategic actions and reactions can be relatively short range and may include more than just planning aspects. It is perfectly reasonable to have long-range operating or technical plans that are not strategic. However, it should be noted that most strategic decisions have long-term ramifications.

3.2.3 Scope and Dimension of Strategic Management

Strategic management concentrates on the total enterprise. It involves the planning, directing, organising and controlling of the strategy-related conclusions and business activities.

Scope of Strategic Management

J. Constable has defined the area addressed by strategic management as "the management processes and decisions which determine the long-term structure and activities of the organisation." This definition incorporates five key themes:

- **Management process:** Management processes relate to how strategies are created and changed.
- **Management decisions:** The decisions must relate clearly to a solution of perceived problems (how to avoid a threat, how to capitalize on an opportunity).
- **Time scales:** The strategic time horizon is long. However, for a company in real trouble, it can be very short.
- **Structure of the organisation:** An organisation is appropriately managed by workforce within a structure. The decisions resulting from the way that managers work together within the structure can result in strategic change.
- **Activities of the organisation:** This is a potentially limitless area of study and we normally shall centre upon all activities which affect the organisation.

These all five themes are fundamental to the study of the strategic management field.

Dimensions of Strategic Management

Strategic management process encompasses the entire range of decisions. Typically, strategic issues have six identifiable dimensions:

- Strategic issues require top-management decisions.
- Strategic issues involve the allocation of large amounts of company resources.
- Strategic issues are likely to have significant impact on the long-term prosperity of the firm.
- Strategic issues are future oriented.

- Strategic issues usually have major multifunctional or multi business consequences.
- Strategic issues necessitate consideration of factors in the firm's external environment.

3.2.4 Strategic Management Process

The basic of strategic management process is to explain about organisational strategy. It involves strategies that are processed by managers to make certain choices which make the organisation to get better performance. It is a regular process which shoots up the business or industries where an organisation is present by appraising its competitors by regular goals for current or future competitors. It contains following four steps:

1. **Environmental Scanning:** It is a technique of gathering, scrutinizing and screening information which could be utilised for strategic purposes by finding internal and external factors which can guide an organisation.
2. **Strategy Formulation:** It is a part of action which plans for correct course of action in order to achieve organisational objectives and purpose. With this, the managers will organise a corporate, business or functional policies.
3. **Strategy Implementation:** It is a way by which a work strategy intends an organisation to make particular plan into action.
4. **Strategy Evaluation:** This is the last process involved in strategy management process where main strategy calculations are done by appraising internal and external factors which may be grass roots of current strategies.

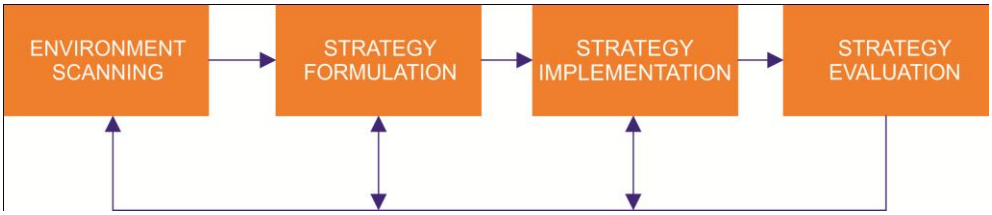


Fig 3.2 Components of Strategic Management Process

It is an on-going process which should realized every component to interact with other components.

3.2.5 Importance of Strategic Management

A number of reasons are given by authors to as why organisations should engage in strategic management. Many research studies show both financial and nonfinancial benefits which can be derived from a strategic-management approach to decision making.

Financial Benefits

The question, "why should an organisation engage in strategic management?" must be answered by looking at the relationship between strategic management and performance.

Research performed by Eastlack and McDonald (1970), Thune and House (1970), Ansoffetal (1971), Karger and Malik (1975) and Hofer and Schendel(1978) indicates that formalized strategic management (strategic planning) does result in loftier performance by organisations. Each of these studies was able to deliver conceiving evidence of the profitability of strategy formulation and implementation. The formalized strategic management process does make a significant difference in the documented measurements of profits, sales and return on assets. Organisations that adopt a strategic management approach can expect that the new system will lead to improved financial performance.

Nonfinancial Benefits

Regardless of the viability of strategic management, numerous developmental effects can be anticipated to improve the welfare of the firm. Yoo and Digman emphasize that strategic management is desirable to cope with and manage the uncertainty in decision-making. They present several benefits of strategic management:

- It provides a way to anticipate future problems and opportunities.
- It provides employees with clear objectives and directions for the future of the organisation.
- It results in more effective and better performance compared to non-strategic management organisations.
- It increases employee satisfaction and motivation.
- It results in faster and better decision making.
- It results in cost savings.

Check your progress 1

1. _____refers to process of collecting, scrutinizing and providing information for strategic purposes.

   a. Environmental Scanning.

   b. Scanning.

   c. Environmental.

   d. None of the above.

2. _____is a process of deciding best course of action for doing organisational objectives and hence fulfilling organisational purpose.

   a. Strategy Formulation.

   b. Strategy Implementation.

   c. Strategy Evaluation.

   d. Strategy.

3.3 Strategic Decisions

Strategic decisions are the decisions that are concerned with whole environment in which the firm operates the entire resources and the people who form the company and the interface between the two.

3.3.1 Characteristics/Features of Strategic Decisions

1. Strategic decisions have key resource proposals for an establishment. These decisions may be concerned with possessing new resources categorizing others or reallocating others.
2. Strategic decisions deal with harmonizing organisational resource capabilities with the threats and opportunities.
3. Strategic decisions deal with the range of organisational activities. It is all about what they want the organisation to be like.
4. Strategic decisions involve a change of major kind since an organisation operates in ever-changing environment.
5. Strategic decisions are complex in nature.

6. Strategic decisions are at the top most level, are uncertain as they deal with the future and involve a lot of risk.

Strategic decisions are dissimilar to administrative and operational decisions. Administrative decisions are routine decisions, which help or rather facilitate strategic decisions or operational decisions. Operational decisions are technical decisions, which help in the meticulous execution of strategic decisions. To reduce cost is a strategic decision achieved through operational decision of reducing the number of employees and how we carry out these reductions will be administrative decision.

3.3.2 Strategic Decisions, Administrative Decisions and Operational Decisions

The differences between Strategic, Administrative and Operational decisions can be summarised as follows:-

Table Differences between Strategic, Administrative and Operational decisions

S. No.	Strategic Decisions	Administrative Decisions	Operational Decisions
01.	Strategic decisions are long-term decisions.	Administrative decisions are taken daily.	Operational decisions are not frequently taken.
02.	These are considered where the future planning is concerned.	These are short-term based decisions.	These are medium-period based decisions.
03.	Strategic decisions are taken in accordance with organisational mission and vision.	These are taken according to strategic and operational decisions.	These are taken in accordance with strategic and administrative decision.
04.	These are related to overall counter planning of all	These are related to working of employees in an organisation.	These are related to production.

	organisations.		
05.	These deal with organisational growth.	These are in welfare of employees working in an organisation.	These are related to production and factory growth.

Check Your Progress 2

1. _____decisions is long-term decisions.

   a. Strategic.

   b. Administrative.

   c. Operational.

   d. Routine.

2. _____decisions is taken daily.

   a. Administrative.

   b. Strategic.

   c. Operational.

   d. Routine.

3.4 SWOT

The acronym SWOT stands for Strengths, Weaknesses, Opportunities and Threats. They are considered as internal factors that has certain control. From the above explanation of SWOT, where Opportunities (O) and Threats (T) are known as external factors on which there is no control.

3.4.1 SWOT Analysis

The SWOT Analysis is applied in case of audit and analysis of overall strategic position of a firm. It is a powerful tool whose focus is on unravelling strategies which could create firm specific business model which could be best viewed as organisational resources. This tool, views all positive and negative factors that can be inside or outside the firm which plays an important role in success of an organisation.



Fig 3.3 SWOT analysis

1. Strengths

It is an important quality which allows meeting organisation operations. It is the base on which the success of an organisation depends. It can be tangible or intangible. The important examples of organisational strengths include big financial resources, broad product line, no debt, committed employees, etc.

2. Weaknesses

It is an additional quality which keeps away from effecting operation and attaining full possibilities. These are factors that do not meet the mandatory standards and can be depreciating machinery, insufficient research and development facilities etc. This quality can be controlled by minimizing or by eliminating. It can be seen that in order to conquer on old machinery, the new machineries are purchased.

3. Opportunities

Such type of quality is present inside our environment in which it works. Such quality will come up when an organisation takes the advantage of certain conditions in an environment in order to plan and work on certain strategies which makes us more profitable.

4. Threats

It appears when conditions in an external environment will put on risk in terms of dependability and productivity of an organisational business. The common example of threat will include turbulence among employees, on-going technology change and more competition with over capacity, etc.

3.4.2 Advantages of SWOT Analysis

There are certain advantages of SWOT Analysis:

- Source of information for strategic planning.
- Constructs organisation's strengths.
- Reverse its weaknesses.
- Maximize response to opportunities.
- Overcome organisation's threats.
- Locating core competencies of firm.
- Setting of objectives for strategic planning.

SWOT Analysis Framework

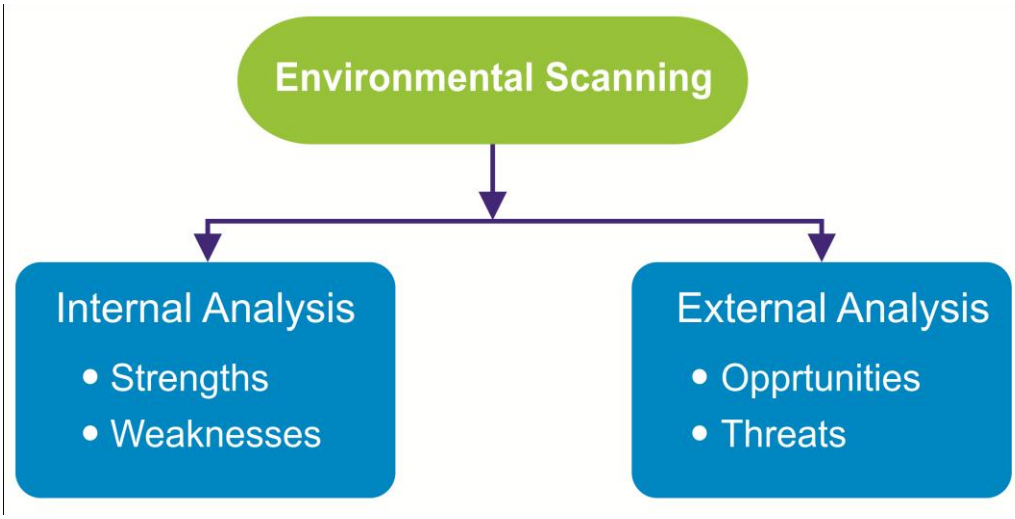


Fig 3.4 SWOT Analysis

3.4.3 Limitations of SWOT Analysis

There are certain limitations about SWOT Analysis such as:

- Price increase
- Inputs/raw materials
- Government legislation
- Economic environment
- Locating new market for product which has no overseas market due to import restrictions

Apart from these, there are certain internal limitations of SWOT analysis which are:

- Insufficient research and development facilities.
- Faulty products due to poor quality control.
- Poor industrial relations.
- Lack of skilled and efficient labour.

Check your progress 3

1. _____are the qualities that enable us to accomplish the organisation's mission.

   a. Strengths.

   b. Weakness.

   c. Opportunities.

   d. Threats.

2. _____arise when conditions in external environment jeopardize the reliability and profitability of the organisation's business.

   a. Threats.

   b. Strengths.

   c. Weakness.

   d. Opportunities.

3.5 BCG Matrix

Boston Consulting Group (BCG) Matrix is a four celled matrix (a 2 * 2 matrix) developed by BCG, USA. It is the most distinguished corporate portfolio analysis tool. It delivers a graphic representation for an organisation to observe different businesses in its portfolio on the basis of their related market share and industry growth rates. It is a two dimensional analysis on management of SBU's (Strategic Business Units). In other words, it is a comparative analysis of business potential and the evaluation of environment.

3.5.1 BCG Matrix Analysis

According to this matrix, business could be classified as high or low according to their industry growth rate and relative market share.

Relative Market Share = SRI: Sales this year leading competitors sales this year Market Growth Rate = Industry sales this year — Industry Sales last year

Consider the four cells of matrix as shown in fig 3.4 where stars, cash cows, question marks and dogs are located. Each of these cells represents a particular type of business.

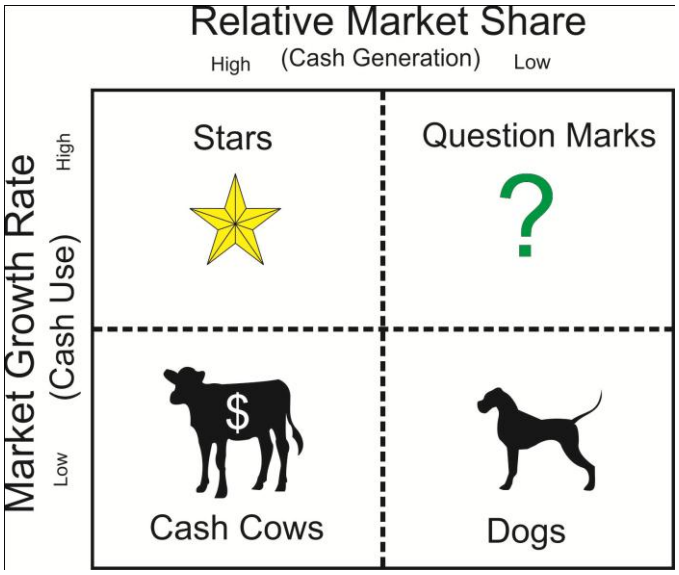


Fig 3.5 BCG Matrix Analysis

1. **Stars:** In this matrix, stars displays business units that carries big market shares in fast upcoming industry. Instead of generating cash as of fast growing market, the stars need heavy investment so as to meet their lead. In this the SBU's placed in cell attract since they are located in robust industry.
2. **Cash Cows:** The Cash Cows shows business units with big market shares so as to become mature in a slow growing industry. They needs small investment and can obtain cash which are used for investment in other business units.

3. **Question Marks:** These units have less market shares and require humungous amounts in order to maintain market share. They are normally new products and services that are having great commercial aspects.

4. **Dogs:** These show weak symptoms of market shares in a low growth market. Such type of units neither acquires cash nor needs big amount of cash. Because of less market share, such corporate units face cash loss. Such type of business establishment have weaker market share as of more costs with lack of quality and poor marketing.

3.5.2 Limitations of BCG Matrix

It is seen a BCG Matrix will generate a framework where resources are allotted for different business units which made possible in order to compare certain business units instantaneously. They have certain limitations such as:

- They arranged business as low and high whereas medium also.
- It does not explain about the clearly of market model.
- As studied high market share not always tends to more profits as extra cost is also involved.
- Towards profitability, factors such as growth rate and market share are not the only indicators.
- It is found that many times dogs might help certain business in achieving many advantages as they can get more than cash cows.

Check your progress 4

1. _____represent business units having large market share in a fast growing industry.

   a. Stars.

   b. Cash Cows.

   c. Dogs.

   d. Question Marks.

2._____represent businesses having weak market shares in low-growth markets.

a. Dogs.

b. Cash Cows.

c. Stars.

d. Question Marks.

3.6 Let Us Sum Up

In this unit we have learnt that an organisation is said to achieve competitive advantage if its profitability is more than average profitability for all companies in its industry.

It is observed that strategic management serves as a cluster of decisions and acts that a manager in the position of authority undertakes and which decides the result of the firm's performance.

It is seen that as per Robert Anthony's framework approach, there exist three types of planning and control which are required by organisations such as Strategic planning and control, Management planning and control and Technical planning and control.

It is detailed that there are five fundamental themes involved in study of strategic management field such as management process, management decisions, time scales and structure of organisation and activities of organisation.

The definition of SWOT is Strengths, Weaknesses, Opportunities and Threats that are considered as internal factors having certain control. It is a renowned tool for audit and analysis of the overall strategic position of the business and its environment.

3.7 Answers for Check Your Progress

Check your progress 1

Answers: (1-a), (2-a)

Check your progress 2

Answers: (1-a), (2-a)

Check your progress 3

Answers: (1-a), (2-a)

Check your progress 4

Answers: (1-a), (2-a)

3.8 Glossary

1. **Managers -** They are individuals having monitor workflow, integrating efforts, meeting goals and providing leadership.
2. **Mission -** It is the purpose of an organisation for existence of work in order to improve worker.
3. **SWOT -** It is an analysis techniques mostly used in auditing for controlling internal and external factors.
4. **Strategic management -** It is a bunch of decisions and acts where a manager undertakes and decides the result of firm's performance.

3.9 Assignment

What do you understand by strategic management?

3.10 Activities

Explain the elements, scope and dimensions of strategic management.

3.11 Case Study

1. How can SWOT Analysis be useful in daily life? Quote few examples.
2. Differentiate between SWOT and BCG Matrix Analysis in your own words.

3.12 Further Readings

1. Principles of Management, B.S. Moshal, Galgotia Publications.
2. Management Text and Cases, VSP Raoand V. Hari Krishna, published by Anurag Jain for Excel books.
3. Principles of Management, Edition 2, P. C. Tripathi and P. N. Reddy, Tata McGraw Hill Publishing Company.
4. Essentials of Management, Harold Koontz and Heinz Weihrich, Tata McGraw Hill.

Block Summary

The block detailed about features and scope of motivation, social responsibility of business and highlight important factors that exists in strategic management in an organisation. The detailed illustration regarding the Indian Businesses and Social Responsibility are explained with examples. The student will get adequate knowledge after reading this block on various types of communication which could be of great help while working in an organisation.

The whole idea of this block is to train the students with practical and theoretical aspects on theories that are based on management and its structural features. To make the topics easy and understand to the readers, efforts have been made to give complete illustration with focus on direct explanation.

Block Assignment

Short Answer Questions

1. Explain about Financial and Non-Financial Motivation?
2. Highlight important features of Positive and Negative Motivation?
3. Explain the different types of Types of Communication?
4. What are the various Leadership Styles?
5. Write few advantages about Theories of Leadership?

Long Answer Questions

1. What do you understand by communication? Define Communication and give its characteristics.
2. Explain Herberg's Two Factor Theory and ERG Theory of Motivation.
3. "The business thrives on society for its very survival, sustenance and encouragement." Elucidate.
4. What is strategic decision?
5. Explain features of strategic decision.
6. How is strategic decision different from administrative and operational decision.

Enrolment No. ☐

1. How many hours did you need for studying the units?

Unit No	**1**	**2**	**3**	**4**
Nos of Hrs				

2. Please give your reactions to the following items based on your reading of the block:

Items	Excellent	Very Good	Good	Poor	Give specific example if any
Presentation Quality	☐	☐	☐	☐	
Language and Style	☐	☐	☐	☐	
Illustration used (Diagram, tables etc)	☐	☐	☐	☐	
Conceptual Clarity	☐	☐	☐	☐	
Check your progress Quest	☐	☐	☐	☐	
Feed back to CYP Question	☐	☐	☐	☐	

3. Any Other Comments

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Education is something which ought to be brought within the reach of every one.

- Dr. B. R. Ambedkar

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