ଓଡ଼ିଶା ରାଜ୍ୟ ମୁକ୍ତ ବିଶ୍ୱବିଦ୍ୟାଳୟ, ସମ୍ବଲପୁର
Odisha State Open University
Sambalpur

BACHELOR OF
COMMERCE *(HONOURS)*
(BCOM)

BCO-07: MANAGEMENT PRINCIPLES AND APPLICATIONS

Credit: 6

Block-1,2,3 & 4

BCO 07: MANAGEMENT PRINCIPLES AND APPLICATION

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ODISHA STATE OPEN UNIVERSITY, SAMBALPUR

Programme Name: **Bachelor of Commerce (B.Com)**   Programme Code: **BCO**

Course Name: **Management Principles and Applications**   Course Code: **BCO-07**

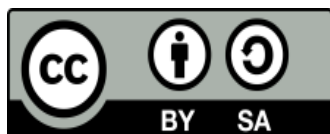Semester: **III**   Credit: **6**   Block No. **1 to 4**   Unit No. **1 to 16**   Pages: **1 to 170**

This study material has been developed by Odisha State Open University as per the State Model Syllabus for Under Graduate Course in Commerce (Bachelor of Commerce Examinations) under Choice Based Credit System (CBCS).

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Printers by:

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BLOCK 1: INTRODUCTION TO MANAGEMENT

UNIT 1: NATURE AND SIGNIFICANCE OF MANAGEMENT

UNIT 2: MANAGERIAL SKILLS AND ROLE OF MANAGERS

UNIT 3: EVOLUTION OF MANAGEMENT THOUGHTS: CLASSICAL SCHOOL

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UNIT -1: NATURE AND SIGNIFICANCE OF MANAGEMENT

Structure

Learning Objective

After completion of the unit, you should be able to:

• Explain the meaning, concept and definition of management.

• Describe scope and importance of management.

• Know the nature and characteristics of management.

• Also understand whether management is a science or an art or a profession.

1.1   INTRODUCTION

Take a close look at the society around you. You would find the existence of several organizations. To mention a few, the business organizations that produce goods or services, hospitals, religious and social institutions like charities, schools, colleges anduniversities. All these organizations exist to achieve pre-determined objectives. They affect our lives in many ways. Though there are vast differences in their functioning and approaches, they all strive to achieve certain objectives. It must also be noted that organizations cannot achieve the objectives effortlessly. They are achieved through systematic effort. Several activities have to be performed in a cohesive way. In the absence of systematic and cohesive performance of the activities to achieve the objectives, it is no wonder that the resources of organizations would be underutilized. As such it is the function of the management to facilitate the performance of activities such that the accomplishment of the objectives becomes possible.

1.2   DEFINITIONS

Management is understood in different ways by different people. Economists regard it as a factor of production. Sociologists see it as a class or group of persons while practitioners of

management treat it as a process. For our understanding, management may be viewed as what a manager does in a formal organization to achieve the objectives. In the words of Mary Parker Follet management is "the art of getting thingsdone through people". This definition throws light on the fact that managers achieve organizational goals by enabling others to perform rather than performing the tasks themselves.

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

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

Ralph C. Davis has defined Management as, "Management is the function of executive leadership anywhere."

Management encompasses a wide variety of activities that no one single definition cancapture all the facets of management. That is why, it is often said that there are as manydefinitions of management as there are authors in the field. However, the definition given by James A.F. Stoner covers all the important facets of management.

According to him:

"Management is the process of planning, organizing, leading and controlling the effortsof organization members and of using all other organizational resources to achieve stated organizational goals".

The above definitions suggest:

- Management is a continuous process;
- Several interrelated activities have to be performed by managers irrespective oftheir levels to achieve the desired goals;
- Managers use the resources of the organization, both physical as well as human,to achieve the goals;
- Management aims at achieving the organisation's goals by ensuring effectiveuse of resources in the best interests of the society.

1.3 NATURE OF MANAGEMENT

The salient features which highlight the nature of management are as follows:
   a. **Management is goal-oriented**: Management is not an end in itself. It is a means to achieve certain goals. Management has no justification to exist without goals. Management goals are called group goals or organisational goals. The basic goal of management is to ensure efficiency and economy in the utilisation of human, physical and financial resources. The success of management is measured by the extent to which the

established goals one achieved. Thus, management is purposeful.

b. **Management is universal:** Management is an essential element of every organised activity irrespective of the size or type of activity. persons are engaged in working for a common goal, management is necessary. All types of organisations, e.g., family, club, university, government, army, cricket team or business, require management. Thus, management is a pervasive activity. The fundamental principles of management are applicable in all areas of organised effort. Managers at all levels perform the same basic functions.

c. **Management is an Integrative Force:** The essence of management lies in the coordination of individual efforts in to a team. Management reconciles the individual goals with organisational goals. As unifying force, management creates a whole that is more than the sum of individual parts. It integrates human and other resources.

d. **Management is a Social Process:** Management is done by people, through people and for people. It is a social process because it is concerned with interpersonal relations. Human factor is the most important element in management. According to Appley, "Management is the development of people not the direction of things. A good manager is a leader not a boss. It is the pervasiveness of human element which gives management its special character as a social process".

e. **Management is multidisciplinary**: Management has to deal with human behaviour under dynamic conditions. Therefore, it depends upon wide knowledge derived from several disciplines like engineering, sociology, psychology, economics, anthropology, etc. The vast body of knowledge in management draws heavily upon other fields of study.

f. **Management is a continuous Process:** Management is a dynamic and an on- going process. The cycle of management continues to operate so long as there is organised action for the achievement of group goals.

g. **Management is Intangible:** Management is an unseen or invisible force. It cannot be seen but its presence can be felt everywhere in the form of results. However, the managers who perform the functions of management are very much tangible and visible.

h. **Management is an Art as well as Science:** It contains a systematic body of theoretical knowledge and it also involves the practical application of such knowledge. Management is also a discipline involving specialised training and an ethical code arising out of its social obligations.

On the basis of these characteristics, management may be defined as a continuous social process involving the coordination of human and material resources in order to accomplish desired objectives. It involves both the determination and the accomplishment of organisational goals.

1.4   SCOPE AND IMPORTANCE OF MANAGEMENT

Management is indispensable for the successful functioning of every organisation. It is all the more important in business enterprises. No business runs in itself, even on momentum. Every

business needs repeated stimulus which can only be provided by management. According to Peter Drucker, "Management is a dynamic life-giving element in an organisation, without it the resources of production remain mere resourcesand never become production".

The scope and importance of management has been highlighted clearly in the followingpoints:

- **Achievement of group goals**: A human group consists of several persons, each specialising in doing a part of the total task. Each person may be working efficiently, but the group as a whole cannot realise its objectives unless there is mutual cooperation and coordination among the members of the group. Management creates team-work and coordination in the group. He reconciles the objectives of the group with those of its members so that each one of them is motivated to make his best contribution towards the accomplishment of group goals. Managers provide inspiring leadership to keep the members of the group working hard.

- **Optimum utilisation of resources**: Managers forecast the need for materials, machinery, money and manpower. They ensure that the organisation has adequateresources and at the same time does not have idle resources. They create and maintain an environment conducive to highest productivity. Managers make sure that workers know their jobs well and use the most efficient methods of work. They provide training and guidance to employers so that they can make the best use of the available resources.

- **Minimisation of cost**: In the modern era of cut-throat competition no business cansucceed unless it is able to supply the required goods and services at the lowest possible cost per unit. Management directs day-to-day operations in such a mannerthat all wastage and extravagance are avoided. By reducing costs and improving efficiency, managers enable an enterprise to be competent to face competitors andearn profits.

- **Survival and growth**: Modern business operates in a rapidly changingenvironment. An enterprise has to adapt itself to the changing demands of the market and society. Management keeps in touch with the existing business environment and draws its predictions about the trends in future. It takes steps in advance to meet the challenges of changing environment. Changes in business environment create risks as well as opportunities. Managers enable the enterprise to minimise the risks and maximise the benefits of opportunities. In this way, managers facilitate the continuity and prosperity of business.

- **Generation of employment**: By setting up and expanding business enterprises, managers create jobs for the people. People earn their livelihood by working in these organisations. Managers also create such an environment that people workingin enterprise can get job satisfaction and happiness. In this way managers help to satisfy the economic and social needs of the employees.

- **Development of the nation**: Efficient management is equally important at the national level. Management is the most crucial factor in economic and social development. The development of a country largely depends on the quality of the management of its resources. Capital investment and import of technical knowhowcannot lead to economic growth unless wealth producing resources are managed efficiently. By producing wealth, management increases the national income and the living standards of people. That is why

management is regarded as a key to theeconomic growth of a nation and all the nations which make up the world.

1.5 LEVELS OF MANAGEMENT

Every business organisation, irrespective of its size, has many managerial positions in its structure. These positions are created through the process of delegation of authorityfrom top to lower levels. Each position is marked by authority, responsibility, functions, roles and relationships. The contents and nature vary, depending in the level at which the position lies. As one moves upward in the organisation, the managerial position plays an important role, larger the contribution, greater the authority and higher the responsibility. These managerial positions lying in the chain of command may be classified into various groups or levels of management. Broadly speaking, an organization has two important levels of management, namely functional and operative. The functional level is concerned with the process of determining primary objectives, formulating basic policies, making vital decisions and controlling and coordinating activities of personnel. The operative level of management is related to implementationof plans and decisions, and pursuit of basic policies for achieving the objectives of the organisation.

Generally, the levels of management consisting of various managerial positions in the structure of an organisation, differ from one organisation to another, depending on the size of business activity, philosophy of management, span of control and other related factors. But, in a joint stock company, for conducting its business efficiently, managerialpersonnel may be placed in three levels, that is, top, middle and lower or supervisory level.

(Levels of Management)

A. Top Level Management

The top-level management is generally occupied by the ownership group. In a joint stock company, equity shareholders are the real owners of the company. Thus, they elect their representatives as directors, form a board, known as board of directors, which constitutes the

top level of management. Besides the board, other functionaries including managing director, general manager or Chief executive to help directors, areincluded in this level. It is the highest level in the managerial hierarchy and the ultimatesource of authority in the organisation. The top-level managers are accountable to the owners and responsible for overall management of the organisation.

The major functions of the top-level management are as under:

i. To make a corporate plan for the entire organisation covering all areas of operations.

ii. To decide upon the matters which are vital for the survival, profitability andgrowth of the organisation such as introduction of new product, shifting to new technology and opening new plant etc.

iii. To decide corporate goals.

iv. To decide structure of organisation, creating various positions there in.

v. To exercise overall managerial control through the process of reviewing overall financial and operating results.

vi. To make decisions regarding disposal and distribution of profits.

vii. To select key officials and executives for the company.

viii. To coordinate various sub-systems of the organisation.

ix. To maintain liaison with outside parties having a stake in business such as government, trade union and trade associations etc.

x. To formulate basic policies and providing direction and leadership to the organisation as a whole.

B. Middle Level Management

In order to fill up the gap which exists between functional and operative level, some managerial positions are created at the middle level of management. Middle level management consists of departmental managers, deputy managers, foreman and administrative officers etc. These executives are mainly concerned with the overall functioning of their respective departments. They act as a link between top and lower-level managers. The activities of middle level managers" centres around determining departmental goals and devising ways and means for accomplishing them.

The main functions performed by these managers are as under:

i. To prepare departmental plan covering all activities of the department withinthe basic framework of the corporate plan.

ii. To establish departmental goals and to decide upon various ways and meansfor achieving these goals to contribute to organizational goals.

iii. To perform all other managerial functions with regard to departmentalactivities for securing smooth functioning of the entire department.

iv. To issue detailed orders and instructions to lower- l e v e l managers and coordinate the activities of various work units at lower level.

v.   Middle level managers explain and interpret policy decisions made at the toplevel to lower-level managers.

C.   Lower Level or Supervisory Level Management

Lower-level management is known as supervisory management, because it is concernedmainly with personal oversight and direction of operative employees. It consists of factory supervisors, superintendents, foremen, sales supervisors, accounts officers etc. They directly guide and control the performance of rank-and-file workers. They issue orders and instructions and guide day to-day activities. They also represent the grievances of the workers to the higher levels of management.

Supervisory management performs the following functions:

i.   Planning of day-to-day work

ii.   Assignment of jobs and issuing orders and instructions

iii.   Supervising and guiding workers

iv.   Maintaining close personal contacts with workers to ensure discipline andteam-work

v.   Evaluating operating performance

vi.   Sending reports and statements to higher authorities

vii.   Communicating the grievances and suggestions of workers to higherauthorities.

1.6   MANAGEMENT AS AN ART

Art refers to the 'know-how' – the ways of doing things to accomplish a desired result.The focus is on the skill with which the activities are performed. As the saying goes

"practice makes a man perfect", constant practice of the theoretical concepts (knowledge) contributes for the formation and sharpening of the skills.

Therefore, whatis required is the right blend of the theory and practice. In a way, the attributes of scienceand art are the two sides of a coin. Medicine, engineering, accountancy and the like require skills on the part of the practitioners and can only be acquired through practice. Management is no exception. As a university gold medalist in surgery may not necessarily turn out to be a good surgeon, similarly a management graduate from the best of the institutes may not necessarily be very effective in practice. In both the cases,the application of the knowledge acquired through formal education, requires ingenuity and creativity on the part of the practitioner. Correct understanding of the variables of the situation calls for pragmatism and resourcefulness.

Effective practice of any art requires a thorough understanding of the science underlyingit. Thus, science and art are not mutually exclusive, but are complementary. Executiveswho attempt to manage without the conceptual understanding of the management principles and techniques have to depend on luck and intuition. With a sound knowledgeand the necessary skills to use

such knowledge, they stand a better chance to succeed. Therefore, it may be concluded that 'management is both a science and an art'.

1.7 MANAGEMENT AS A SCIENCE

To gain a correct perspective as to what management is, let us examine the exact natureof management – whether it is a science or an art? An understanding, therefore, of the exact nature of science as well as art may help in understanding the discipline in a better.Any branch of knowledge to be considered a science, (like the ones we have – physics,chemistry, engineering, etc.) should fulfil the following conditions:

- the existence of a systematic body of knowledge encompassing a wide array of principles;
- principles have to be evolved on the basis of constant enquiry and examination;
- principles must explain a phenomenon by establishing cause effect relationship;
- the principles should be amenable for verification in order to ensure accuracyand universal applicability.

Looked at from this angle, management as a discipline fulfils the above criterion. Overthe years, thanks to the contributions of many thinkers and practitioners, management has emerged as a systematic body of knowledge with its own principles and concepts. Principles help any practicing manager to achieve the desired goals. However, while applying the principles, one should not lose sight of the variables in the situation, sincesituations differ from one to another. Thus, the importance of personal judgment cannotbe undermined in the application of principles. Further, management is a dynamic subject in that, it has drawn heavily from economics, psychology, sociology, engineering and mathematics, to mention a few. It is multi-disciplinary in nature, but aword of caution. Though management considering its subject matter and the practical utility may be considered as 'science', for reason discussed below, it cannot be viewedas an 'exact science'. In other words, it is a science, but an 'inexact science' because:

- Firstly, management by definition involves getting the things done through people. Compared to the other inputs, 'people', who constitute the human resource of any organization are unique in respect of their aspirations, attitudes, perceptions and thelike. Dissimilarities in the behaviour pattern are so obvious that standard research may not be obtained in otherwise similar conditions.

- Secondly, the behaviour of the human beings cannot be accurately predicted. Hence, readymade and standard solutions cannot be prescribed.

- Thirdly, management is more concerned with future which is complex and unpredictable. As the saying goes, 'many a slip between the cup and the lip', changes in the environment may affect the plans and render even the most well drawn plans ineffective.

- Lastly, since a business organization exists in an environment, it has a two-way interaction with the environment. The organization influences the environment by its several decisions and in turn is influenced by the various elements of the environment.

Important among these are technological, economic, socio cultural and political factors.The whole thing is so complex that however effective the plans are, one is prone to be taken over by the unexpected changes in the environment.

Unlike the pure or exact sciences where the results are accurate in the case of management, the various factors discussed above may force even the excellent plans and the strategies go haywire. Too many complexities and uncertainties render management an "inexact science".

1.8   MANAGEMENT AS PROFESSION

McFarland gives the following characteristics of a profession:

- existence of an organized and systematic body of knowledge,
- formalized methods of acquiring knowledge and skills,
- existence of an apex level body with professionalization as its goal,
- existence of an ethical code to regulate the behaviour of the members of the profession,
- charging of fees based on service, and
- concern for social responsibilities.

A closer examination of management as a profession reveals that unlike medicine or law, management has to go a long way to attain universally acceptable norms of behaviour. There is no uniform code of conduct that governs the behaviour of managers.The apex level body, the All India Management Association (AIMA) or NIPM [National Institute of Personnel Management] provides only guidelines and does not have any controlling power over the erring members. Managers also differ widely in respect of their concern for the ethics and values of the society in which they function.Many a time, in their obsession with profit, the societal interests are either neglected orcompromised. However, as in the case of other professions, it is implied that managersare expected to set an example in doing good to the society. While making decisions, they should be conscious of the impact of their decisions on the society. The larger

interests of the society must be given top priority rather than short-term temptations. After all, given the enormous resources they have at their command, the expectation that managers should address themselves to the problems of society is not unnatural.

It must, however, be remembered that unlike professions like engineering, medicine, law,

accountancy, etc., the entry to management profession is not restricted to individuals with a special degree. In other words, one need not necessarily possess

M.B.A or any other management degree or diploma to practice management. To quote Peter Drucker, "no greater damage could be done to an economy or to any society than to attempt to professionalize management by licensing managers or by limiting access to management to people with a special academic degree".

At the same time, it may be realized that the achievements of the pioneers of the industrial development need not shadow the importance of management as a profession. In arguing for and against, we must not ignore the context of the business. There has been a sea change in the environment of the business. The modern business has become more complex due to the uncertainties arising mainly from:

Ever increasing competition for the markets not only domestic but international as well;

- Rapid technological changes affecting all facets of human life;
- Increased sophistication and rapid obsolescence of technology;
- Expansion in the size of organizations and consequently the market, and
- The unexpected changes in the socio-cultural and political factors influencing the business.

All these variables which have a significant bearing on the functioning of a business point to the need for formal training and acquisition of skills by pursuing management education. More so, at a time when people are talking about "borderless management" in the context of globalization of business.

MANAGEMENT:
A TRINITY OF ART, SCIENCE AND PROFESSION

As a Science: Systematised body of knowledge and principles, cause and effect relationship, predictable results, universal application.

As an Art: Practical Knowledge and skills, concrete results, creative, personalised skills.

As a Profession: Specialized body knowledge, formal education and training, professional body, code of conduct, social status.

1.9   LET'S SUM-UP

Management principles and applications is quite exiting, challenging and rewarding indeed. The module is carefully crafted for you to present the basic concepts and

overview of management for clarity in understanding organizations of 21st century.

Organizations exist in the society to achieve pre-determined objectives. They affect ourlives in many ways. Through there are vast differences in their functioning andapproaches, they all strive to achieve certain goals/objectives. In the most fundamental way management is described as the art of getting the things done through others in order to accomplish the stated organizational objectives both efficiently and effectively. Basically there are three important levels of management such as front-line managers, middle level managers and top level managers. Managers in order to discharge their responsibilities need to be equipped with various important skill such as conceptual skill, human skills, technical skills, analytical skills besides sound communication skills. At different levels of management managers do play various important roles i.e. informational roles, interpersonal roles and decisional roles.

1.10   KEY TERMS

- **Art**: It is the bringing about a desired result through the application of skills.
- **Administration**: It is a higher-level function concerned with the determination ofpolicies.
- **Code of conduct**: It prescribed the norms of professional ethics for its members.
- **Economic Resource**: Management, land, labour and capital.
- **Goal-oriented**: Purposeful activity towards achieving the goals of the organisation.
- **Management**: The art of getting things done.
- Process: A series of functions that lead to the achievement of certain objectives.
- **Professionalisation**: It means defining the duties and responsibilities of themanagers to improve the quality of management education and training.
- **Science**: A systematically organised body of knowledge including concepts,principles and theories.
- **Top management**: Managers who are higher up in the hierarchy devoting moretime on administrative functions.

1.11 SELF-ASSESSMENT QUESTIONS

1. Select a hypothetical organization and try to understand by yourself how the natureand characteristics of management that you have learnt in this unit is practised.

2. Identify an organization that you know and describe what kind of managerial skillsare most importantly required by a marketing manager to discharge his duties andresponsibilities.

3. You can spend sufficient time with a manager of any organization of your choiceand try to figure out the routine and practices adopted and role performed by him/her. Your observation can be brought for further discussion in the class room.

1.12   FURTHER READINGS

1.   Prasad, L M, Principles and Practice of Management, SChand & Sons, New Delhi
2.   Chhabra, T N, Principles and Practice of Management, Dhanpat Rai & Co, NewDelhi
3.   Ghuman, K and Aswathappa, K, Management, Tata McGraw Hill, New Delhi
4.   Koontz, H, O"Donnell and Woihrich, H, Essentials of Management, Tata McGrawHill, New Delhi

1.13   MODEL QUESTIONS

1.   Explain the concept of Management. Is management since or art? Defend youranswer with example.
2.   Discuss the nature and scope of management and relate it to the changing businessof today.

What do you understand by the term 'Levels of Management'? Briefly describe thedifferent levels of management

UNIT 2: MANAGERIAL SKILLS AND ROLE OF MANAGERS

Structure

2.1   Introduction
2.2   Managerial Skills
2.3   Role of Managers
2.4   Let us sum up
2.5   Further Readings
2.6   Model Question

Learning Objectives

After going through this unit, you will be able to know-

- Understand various types of skills required by managers.
- Explain the nature of managerial roles
- The managerial skills helpful for any organisation.

2.1 INTRODUCTION

Management is Universal in today's modern industrial world. There is no substitute for good management. It is a separate field of study when business enterprises developed to meet the unlimited needs of people. In the earlier times, barter system was followed by the economy. Later on, as things become complex, people felt the need of organisations.

Management is doing and getting things done through others. It makes people working in the organisation more productive and brings better technology, products and services to our society. Management is what a does. In the present context, managing is one of the most important areas of human activity because of their increasing roles of large and complex organisation. To find out solution to various business problems, the organisations have attracted the attention of both practitioners and academician to find out the solution.

Management is about manage-men-tactfully. Managing overall business activity in an organisation is tough for all the managerial levels i.e., top, middle and lower. Successful functioning of management will help the organisation to be the best among all the competitors.

A manager in the organisation performs various managerial and operative functions. The levels of management create a hierarchy in the organisational structure. Different managerial positions in the organisation structure are differentiated by the levels of management.

A manager has to perform multiple roles in an organisation. Performance is the overall results of various managerial activities.

2.2 Managerial Skills

Management job is different from other jobs. It requires elements of stewardship and commitmentto the purpose. It involves the obligation to make prudent use of human and material resources. Itrequires sound judgment to handle complex situations. Further, the nature of the job becomes increasingly complex at each higher level because of the increase in the scope of authority and responsibility. Therefore, each higher level requires increased

knowledge, broader perspective andgreater skills. For the purpose of analysis, skills required of a manager are classified under three heads – technical, human (employee relations skill) and conceptual skills as shown in Figure 4.3.The exhibit helps in understanding the levels of management responsibility, the principal skill requirements, and the extent to which each kind of skill is required at each level.
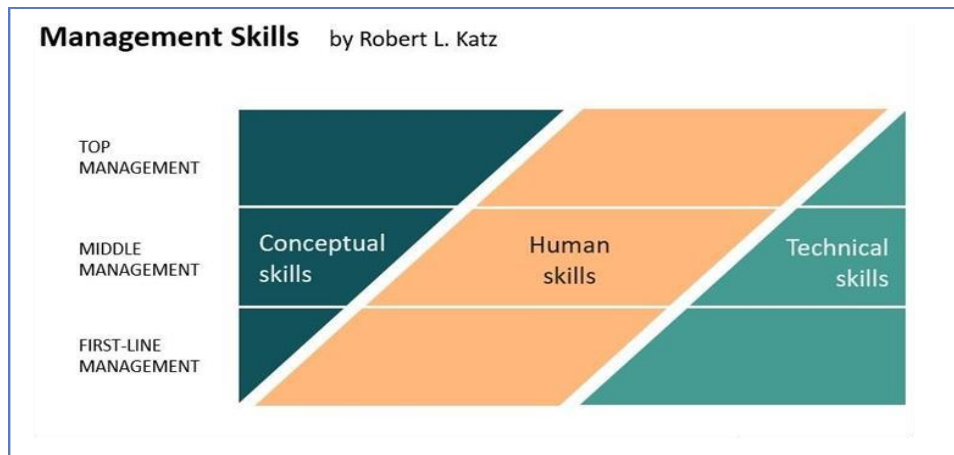
Fig 2.2: Management Skills

2.2.1 Technical Skills

Technical skills refer to the ability to use the tools, equipment, procedures, techniques and knowledge of a specialized field. It is primarily concerned with the ways of doing the things. It implies proficiency in a specific field of activity. Technical skills are most important for the lower level managers, because by nature their job involves supervision of the workers. Effective supervision and coordination of the work of the subordinates, therefore, depends on the technicalskill possessed by the lower level manager. Any supervisor without a sound knowledge of the jobcannot make an effective supervisor. Such supervisors are not respected by the subordinates at theshop floor. The relative importance of the technical skills as compared to the other skillsdiminishes as one move up to higher levels of management

2.2.2 Human Skills

Human skills are primarily concerned with "persons" in contrast to "things". When a manager is highly skilled in employee relations, he is aware of their attitudes, assumptions, and beliefs and recognizes their limitations as well as their usefulness. He accepts as an important fact of life, theexistence of viewpoints and feelings, different from his own. Thus, human skills refer to the abilityof the manager to work effectively as a group member and to build cooperative effort in the teamhe leads. It is the ability to work with, understand and motivate people. He understands why people behave as they do and is able to make his own behaviour understandable to them. He can foreseetheir reactions to possible courses of action. His skill in working with others is natural and continuous. He does not apply it in random or in inconsistent fashion. It is a natural ingredient ofhis every action. The flair for understanding, empathizing and working with people is central to the human skills. Managerial Skills and

Roles of Managers.

2.2.3 Conceptual Skills

Conceptual skills also called design and problem-solving skills involve the ability to:

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

- understand how its various parts and functions are related in a network fashion; and

- To foresee how changes in any one of these may affect the others.

Conceptual skills extend to visualizing the relation of the organization to industry, to the community and to the political, economic and social forces of the nation as a whole and even to forces which operate beyond the national boundaries. It is the creative force within the organization. A high degree of conceptual skill helps in analyzing the environment and in identifying the opportunities and threats. Managements of companies like ITC, Larsen & Toubro,Asian Paints, Bajaj Auto, Bharthi Telecom in the private sector and National Dairy DevelopmentBoard, Bharat Heavy Electricals (BHEL) in the public sector, to mention a few, have amply demonstrated this skill in gaining a competitive edge over their competitors. As you haveunderstood by now – the three types of skills discussed so far are not mutually exclusive. In otherwords, management job always requires all the three skills, but in different proportions dependingupon the level of management. There is a gradual shift in the emphasis from the bottom to the topof the pyramid. Technical skills and human skill are always in great demand at the lower level ofmanagement for it is there the productive processes and operations are carried out. It is there where you find most of the people. It is there where the action takes place. In contrast, the need for conceptual skill is greatest at the top level of management. Obviously, top managers are not often involved in the direct application of specific methods, procedures and techniques, comparedto those at the lower echelons of management.

As evident from the foregoing discussion, at the entry level of the management job, that is, at thesupervisory level, besides technical skills, a manager has to process human skills and the problem-solving skills (conceptual). To climb up the organizational ladder, one must not only be good at the skills required for the present job, but also learn and acquaint with the skills required at the next level. As result, in the event of promotion to the next higher levels, he/she would feel at homeand discharge the responsibilities with ease.

Based on the differences in the type of skills required, organizations assess the training needs of the managers. Accordingly, appropriate training, development methods and programs are designedto equip them with the skills required at the respective levels. Although, each of these skills is needed in some degree at every level of management, there are successful executives who have no great amount of technical skills. But they are able to compensate the lack of that skill through superior creative ability and skill in identifying the talent and empowering the people through effective human resources development practices and good leadership.

2.3 ROLE OF MANAGERS

Hennery Mintzberg, a contemporary management thinker has done lot of research on the variousroles performed by a manager. A role, according to him, "Is an organized set of behaviour belonging to an identifiable office or position." Just as characters in a play have specific roles, managers also play different roles. Through his studies, Mintzberg identified ten roles that managers play at various times to varying degrees. He classified them under three broad categories; interpersonal roles, informational roles, and decisional roles.

Fig 2.3 : Role of Mangers

The following summaries ten roles by category with examples of each:

ROLE	DESCRIPTION	Identifiable activities from the study of Chief Executives
Interpersonal		
Figure head	Symbolic head; obligated to perform routine duties of a legal or social nature.	Ceremony, status requests, solicitations.
Leader	Responsible for the motivation and activation of subordinates; responsible for staffing, training and associative duties.	Virtually all managerial activities involving subordinates.

Liaison	Nurtures and maintains network of outside contacts. The liaison role involves interface activities with environment.	Acknowledgement of mail, authorizing communication with external world.
Informational		
Monitor	Seeks and receives wide variety of specialinformation from different sources. Thorough understanding of organization and environment; emerges as nerve centre of internal and external information of the organization.	All activities concerned primarily with receiving and processing information.
Disseminator	Transmits information received from both within and outside the organization to members of the organization; some information factual, some involving interpretation and integration of diverse value positions of organizational influencers.	Forwarding mail for informational purposes,verbal contacts involving information flow to subordinates(eg; review sessions, instant communication flows)
Spokesperson	transmits information to stake holders about external environment and organization's plans, policies, actions, results, etc;	Board meetings; handling contacts involving transmission of informationto outsiders.
Decisional		
Entrepreneur	Searches the environment for opportunities and initiates action to bring about changes; supervises design of strategy and review sessions involving initiation or improvement of projects.	Takes initiation for accepting risk and challenges for launching of new products/services.

Disturbance Handler	Responsible for corrective action when organization faces unexpected disturbances andturbulence.	Strategy and review sessions involving disturbances and crises.
Resource Allocator	Responsible for the allocation of o r g a n i z a t i o n a l resources of all kinds;making or approval of all significant o r g a n i z a t i on a l decisions.	Scheduling requests for authorization; and activities involving budgeting and the programming of subordinates work.
Negotiator	Responsible for representing the organizations at major negotiations	Negotiation.

As Mintzberg points out, these roles are not independent of one another. Instead, they are interdependent. The interpersonal roles arise out of the manager's authority and status in the organization and involve interactions with people. These inter personal roles make the manager afocal point of information, enabling and compelling the manager to assume and play the informational roles as an information processing centre. By playing interpersonal and informational roles, the manager is able to play the decisional roles; allocating resources, resolvingconflict, seeking out opportunities for the organization, and negotiation on behalf of the organization. Taken together the ten roles comprise and define the work of the manager, whateverthe organizations size and nature of the business.

2.3.1 Interpersonal Roles
Three interpersonal roles help the manager keep the organization running smoothly. Managers play the figurehead role when they perform duties that are ceremonial and symbolic in nature. Theseinclude greeting the visitors, attending social functions involving their subordinates (like weddings, funerals), handing out merit certificates to workers showing promise etc. The leadership role includes hiring, training, motivating and disciplining employees. Managers play the liaison role when they serve as a connecting link between their organisation and others or between their units and other organisational units. Mintzberg described this activity as contactingoutsiders who provide the manager with information. Such activities like acknowledgements of mail, external board work, etc., are included in this category.

2.3.2 Informational Roles

Mintzberg mentioned that receiving and communicating information are perhaps the most important aspects of a manager's job. In order to make the right decisions, managers need information from various sources. Typically, this activity is done through reading magazines andtalking with others to learn about changes in the customers" tastes, competitors" moves and the like. Mintzberg called this the monitor role. In the disseminator role, the manager distributes important information to subordinates that would otherwise be inaccessible to them. Managers also perform the spokesperson role when they represent the organisation to outsiders.

2.3.3 Decisional Roles

There are four decision roles that the manager adopts. In the role of entrepreneur, the manager tries to improve the unit. He initiates planned changes to adapt to environmental challenges. As disturbance handlers, managers respond to situations that are beyond their control such as strikes,shortages of materials, complaints, grievances, etc. In the role of a resource allocator, managers are responsible for allocating human, physical and monetary resources. As negotiators, managersnot only mediate in internal conflicts but also carry out negotiations with other units to gain advantages for their own unit.

2.4 LET US SUM UP

Assuming that a manager is one who directs the activities of other persons and undertakes the responsibility for achievement of objectives through such efforts, successful management seems to rest on three basic developable skills: technical, human and conceptual. The relative importanceof these three skills varies with the level of managerial responsibility. The technical skill impliesan understanding of and proficiency in a specific kind of activity, particularly one involving methods, processes, procedures, or techniques; it involves specialised knowledge, analytical ability within that specialty, and facility in the use of the tools and techniques of the specific discipline. Human skills could be usefully divided into (a) leadership ability within the manager'sown unit and (b) skill in intergroup relationships. Experience shows that outstanding capability inone of these roles is frequently accompanied by mediocre performance in the other. Intragroup skills are essential in lower and middle management roles and intergroup skills become increasingly important in successively higher levels of management. Conceptual skill involves theability to see the enterprise as a whole; it includes recognising how the various functions of the organisation depend on one another, and how changes in any one part affect all the others; and itextends to visualising the relationship of the individual business to the industry, the community, and the political, social and economic forces of the nation as a whole.

- **Technical Skill:** It refers to the specialised knowledge and proficiency in handling specific job.
- **Human Skill**: It is the ability to interact and reserve conflict situation for enhancing organizational performance and productivity through cooperation and coordination**.**
- **Conceptual Skill:** It is the ability to see the organization as a whole, to recognise inter-relationship among different functions of business effectively and efficiently.

2.5 MODEL QUESTIONS

1. What do you mean by 'Management'? Explain the managerial skills of a manager.
2. Outline the major Roles of a manager in an organisation.

2.6 FURTHER READING

1. F.W. Taylor, Principles of Scientific Management, New York, Harper and Row.

2. Henry Fayol, General and Industrial Management, Sir Isaac Pitman and Sons Ltd.

3. J. Stoner, Management, Prentice-Hall of India, New Delhi.

4. Peter Drucker, the Practice of Management, New York, Harper.

5. W. J. Duncan, Essentials of Management, Illinois, the Dryden Press

UNIT 3: EVOLUTION OF MANAGEMENT THOUGHTS: CLASSICAL SCHOOL

STRUCTURE

LEARNING OBJECTIVES

After go through this unit you will be able to know-

* Appreciate the evolution of management thoughts

* Helpful for a business organisation by applying the ideas given by various authors.

3.1   INTRODUCTION

The origin of management can be traced back to the days when man started living in groups. History reveals that strong men organized the masses into groups according to their intelligence, physical and mental capabilities. Evidence of the use of the well-recognized principles of management is to be found in the organization of public life in ancient Greece, the organization of the Roman Catholic Church and the organization of military forces. Thus management in some form or the other has been practiced in the various parts of the world since the dawn of civilization. With the onset of Industrial Revolution, however, the position underwent a radical change. The structure of industry became extremely complex. At this stage, the development of a formal theory of management became absolutely necessary. It was against this background that the pioneers of modern management thought laid the foundations of modern management theory and practice. Evolution of management thought may be divided into four stages:

1.   Pre-scientific management period.

2.   Classical Theory

    a) Scientific Management of Taylor

    b) Administrative Management of Fayol

    c) Bureaucratic Model of Max Weber

3.   Neo-classical Theory or Behaviour Approach

4.   Modern Theory or Systems Approach

EVOLUTION OF MANAGEMENT THOUGHT			
PRE-SCIENTIFIC MANAGEMENT PERIOD Contributions made by • Roman Catholic Church • Military Organizations • Writers like Charles Babbage, James Watt etc.	**CLASSICAL THEORY** • Scientific Management • Administrative Management Theory • Bureaucratic Model	**NEO-CLASSICAL THEORY** • Hawthrone • Experiment	**MODERN THEORY** • Systems Approach • Contingency Approach

Fig 3.1: Evolution of Management Thought

3.2   PRE-SCIENTIFIC PERIOD

The advent of industrial revolution in the middle of the 18th century had its impact on management. Industrial revolution brought about a complete change in the methods of production, tools and equipment's, organization of labor and methods of raising capital. Employees went to their work instead of receiving it, and so, the factory system, as it is known today, become a dominant feature of the economy. Under this system, land and buildings, hired labor, and capitalare made available to the entrepreneur, who strives to combine these factors in the efficient achievement of a particular goal. All these changes, in turn, brought about changes in the field ofmanagement. Traditional, conventional or customary ideas of management were slowly given upand management came to be based on scientific principles. In the words of L. F. Urwick - "Modernmanagement has thrown open a new branch of human knowledge, a fresh universe of discourse". During the period following the industrial revolution, certain pioneers tried to challenge the traditional character of management by introducing new ideas and character of management by introducing new ideas and approaches. The notable contributors of this period are:

(A) Professor Charles Babbage (UK 1729 -1871):

He was a Professor of Mathematics at Cambridge University. Prof Babbage found that manufacturers made little use of science and mathematics, and that they (manufacturers) relied upon opinions instead of investigations and accurate knowledge. He felt that the methods of science and mathematics could be applied to the solution of methods in the place of guess work for the solution of business problems. He advocated the use of accurate observations, measurement and precise knowledge for taking business decisions. He urged the management of an enterprise, on the basis of accurate data obtained through rigid investigation, the desirability of finding out the number of times each operation is repeated each hour, the dividing of work into mental and physical efforts, the determining of the precise cost for every process and the paying of a bonus to the workers in proportion to his own efficiency and the success of enterprise.

(B) James Watt Junior (UK 1796 - 1848) and Mathew Robinson Boulton (1770 - 1842):
James Watt Junior and Mathew Robinson Boulton contributed to the development of management thought by following certain management techniques in their engineering factory at Soho in Birmingham. They are: -

- Production Planning

- Standardization of Components

- Maintenance

- Planned machine layout

- Provision of welfare for personnel

- Scheme for executive development

- Marketing Research and forecasting

- Elaborate statistical records

(C) Robert Owens (UK 1771 - 1858):
Robert Owens, the promoter of co- operative and trade union movement in England, emphasized the recognition of human element in industry. He firmlybelieved that workers' performance in industry was influenced by the working conditions and treatment of workers. He introduced new ideas of human relations - shorter working hours, housing facilities, training of workers in hygiene, education of their children, provision of canteenetc. Robert Owen, managed a group of textile mills in Lanark, Scotland, where he used his ideas of human relations. Though his approach was paternalistic, he came to be regarded as the father of Personnel Management.

(D) Henry Towne (USA 1844 -1924):
H.R Towne was the president of the famous lockmanufacturing company "Yale and Town".

He urged the combination of engineers and economists as industrial managers. This combination of qualities, together with at least some skill as an accountant, is essential to the successful management of industrial workers. He favored organizedexchange of experience among managers and pleaded for an organized effort to pool the great fund of accumulated knowledge in the art of workshop management.

(E) Seebohm Rowntree (UK 1871- 1954): Rowntree created a public opinion on the need of labor welfare scheme and improvement in industrial relations. The Industrial Welfare Society, The Management Research Groups and the Oxford Lecture Conferences in the U.K owed their origin and progress to the interest and zeal of Rowntree.

3.3 CLASSICAL SCHOOL OF THOUGHT

Prof. Charles Babbage, James Watt Junior and Mathew Robinson Boulton, Robert Owen, Henry Robinson Towne and Rowntree were, no doubt, pioneers of management thought. But, the impactof their contributions on the industry as a whole was meagre. The real beginning of the science ofmanagement did not occur until the last decade of the 19th century. During this period, stalwarts like F.W. Taylor, H.L. Gantt, Emerson, Frank and Lillian Gilberth etc., laid the foundation of management, which in due course, came to be known as scientific management. This epoch in thehistory of management will be remembered as an era in which traditional ways of managing werechallenged, past management experience was scientifically systematized and principles of management were distilled and propagated. The contributions of the pioneers of this age have hada profound impact in furthering the management know-how and enriching the store of management principles. F.W. Taylor and Henry Fayol are generally regarded as the founders of scientific management and administrative management and both provided the bases for science and art of management.

Features of Management in the Classical Period:

1. It was closely associated with the industrial revolution and the rise of large-scale enterprise.

2. Classical organization and management theory is based on contributions from a number of sources. They are scientific management, Administrative management theory, bureaucratic model, and micro- economics and public administration.

3. Management thought focussed on job content division of labour, standardization, simplificationand specialization and scientific approach towards organization.

3.3.1 Scientific Management

Taylor's Scientific Management: Started as an apprentice machinist in Philadelphia, USA. He roseto be the chief engineer at the Midvale Engineering Works and later on served with the BethlehemWorks where he experimented with his ideas and made the contribution to the management theoryfor which he is so well known. Frederick Winslow Taylor well-known as the founder of scientificmanagement was the first to recognize and emphasis the need for adopting a scientific approach to the task of managing an enterprise. He tried to diagnose the causes of low efficiency in industryand came to the conclusion that much of waste and inefficiency is due to the lack of order and system in the methods of management. He found

that the management was usually ignorant of the amount of work that could be done by a worker in a day as also the best method of doing the job. As a result, it remained largely at the mercy of the workers who deliberately shirked work.

He therefore, suggested that those responsible for management should adopt a scientific approach in their work, and make use of "scientific method" for achieving higher efficiency. The scientific method consists essentially of

A) Observation   C) Experimentation and

B) Measurement   D) Inference.

He advocated a thorough planning of the job by the management and emphasized the necessity of perfect understanding and co-operation between the management and the workers both for the enlargement of profits and the use of scientific investigation and knowledge in industrial work. He summed up his approach in these words:

- Science, not rule of thumb

- Harmony, not discord

- Co-operation, not individualism

- Maximum output, in place of restricted output

- The development of each man to his greatest efficiency and prosperity.

Elements of Scientific Management

The techniques which Taylor regarded as its essential elements or features may be classified as under:

1. **Scientific Task and Rate-Setting (work study):** Work study may be defined as the systematic, objective and critical examination of all the factors governing the operational efficiency of any specified activity in order to effect improvement.

Work study includes:

(a) **Methods Study:** The management should try to ensure that the plant is laid out in the best manner and is equipped with the best tools and machinery. The possibilities of eliminating or combining certain operations may be studied.

(b) **Motion Study:** It is a study of the movement, of an operator (or even of a machine) in performing an operation with the purpose of eliminating useless motions.

(c) **Time Study (work measurement):** The basic purpose of time study is to determine the proper time for performing the operation. Such study may be conducted after the motion study. Both time study and motion study help in determining the best method of doing a job and the standard time allowed for it.

(d) **Fatigue Study:** If, a standard task is set without providing for measures to eliminate fatigue, it may either be beyond the workers or the workers may over strain themselves to attain it. It is necessary, therefore, to regulate the working hours and provide for rest pauses at scientifically determined intervals.

(e) **Rate-setting:** Taylor recommended the differential piece wage system, under which workers performing the standard task within prescribed time are paid a much higher rate per unit than inefficient workers who are not able to come up to the standard set.

2. Planning the Task: Having set the task which an average worker must strive to perform to get wages at the higher piece-rate, necessary steps have to be taken to plan the production thoroughly so that there is no bottlenecks and the work goes on systematically.

3. Selection and Training: Scientific Management requires a radical change in the methods and procedures of selecting workers. It is therefore necessary to entrust the task of selection to a central personnel department. The procedure of selection will also have to be systematized. Proper attention has also to be devoted to the training of the workers in the correct methods of work.

4. Standardization: Standardization may be introduced in respect of the following:

(a) **Tools and equipment:** By standardization is meant the process of bringing about uniformity. The management must select and store standard tools and implements which will be nearly the best or the best of their kind.

(b) **Speed:** There is usually an optimum speed for every machine. If it is exceeded, it is likely to result in damage to machinery.

(c) **Conditions of Work:** To attain standard performance, the maintenance of standard conditions of ventilation, heating, cooling, humidity, floor space, safety etc., is very essential.

(d) **Materials:** The efficiency of a worker depends on the quality of materials and the method of handling materials.

5. Specialization: Scientific management will not be complete without the introduction of specialization. Under this plan, the two functions of 'planning' and 'doing' are separated in the organization of the plant. The `functional foremen' are specialists who join their heads to give thought to the planning of the performance of operations in the workshop. Taylor suggested eight functional foremen under his scheme of functional foremanship.

a) **The Route Clerk:** To lay down the sequence of operations and instruct the workers concerned about it.

b) **The Instruction Card Clerk:** To prepare detailed instructions regarding different aspects of work.

c) **The Time and Cost Clerk:** To send all information relating to their pay to the workers and to secure proper returns of work from them.

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   d) **The Shop Disciplinarian:** To deal with cases of breach of discipline and absenteeism.

   e) **The Gang Boss:** To assemble and set up tools and machines and to teach the workers tomake all their personal motions in the quickest and best way.

   f) **The Speed Boss:** To ensure that machines are run at their best speeds and proper tools areused by the workers.

   g) **The Repair Boss:** To ensure that each worker keeps his machine in good order andmaintains cleanliness around him and his machines.

   h) **The Inspector:** To show to the worker how to do the work.

6. **Mental Revolution:** At present, industry is divided into two groups – management and labor. The major problem between these two groups is the division of surplus. The management wants the maximum possible share of the surplus as profit; the workers want, as large share in the form of wages. Taylor has in mind the enormous gain that arises from higher productivity. Such gainscan be shared both by the management and workers in the form of increased profits and increasedwages. Benefits of Scientific Management: Taylor's ideas, research and recommendations broughtinto focus technological, human and organizational issues in industrial management.

Benefits of Taylor's scientific management included wider scope for specialization, accurate planning, timely delivery, standardized methods, better quality, lesser costs, minimum wastage ofmaterials, time and energy and cordial relations between management and workers. According toGilbreths, the main benefits of scientific\ management are "conservation and savings, making anadequate use of every one's energy of any type that is expended". The benefits of scientific management are: -

  (a) Replacement of traditional rule of thumb method by scientific techniques.

  (b) Proper selection and training of workers.

  (c) Incentive wages to the workers for higher production.

  (d) Elimination of wastes and rationalization of system of control.

  (e) Standardization of tools, equipment, materials and work methods.

  (f) Detailed instructions and constant guidance of the workers.

  (g) Establishment of harmonious relationship between the workers.

  (h) Better utilization of various resources.

  (i) Satisfaction of the needs of the customers by providing higher quality products at lowerprices.

Criticism

1. Worker's Criticism:

  a. **Speeding up of workers:** Scientific Management is only a device to speed up the workerswithout much regard for their health and well-being.

  b. **Loss of individual worker's initiative:** Scientific Management reduces workers to automatic machine by taking away from them the function of thinking.

  c. **Problem of monotony:** By separating the function of planning and thinking from that ofdoing, Scientific Management reduces work to mere routine.

  d. **Reduction of Employment:** Scientific Management creates unemployment and hits theworkers hard.

  e. **Weakening of Trade Unions:** Under Scientific Management, the important issues of wages and working conditions are decided by the management through scientific investigation and the trade unions may have little say in the matter.

  f. **Exploitation of workers:** Scientific Management improves productivity through the agency of workers and yet they are given a very small share of the benefit of such improvement.

2. Employer's Criticism:

  (a) **Heavy Investment:** It requires too heavy an investment. The employer has to meet the extra cost of the planning department though the foreman in this department do not workin the workshop and directly contribute towards higher production.

  (b) **Loss due to re-organization:** The introduction of Scientific Management requires a virtual reorganization of the whole set-up of the industrial unit. Work may have to be suspended to complete such re-organization.

  (c) **Unsuitable for small scale firms:** various measures like the establishment of a separatepersonnel department and the conducting of time and motion studies are too expensive for a small or modest size industrial unit.

Contributions of Scientific Management:

Major contributions are:

1. Emphasis on rational thinking on the part of management.

2. Focus on the need for better methods of industrial work through systematic study andresearch.

3. Emphasis on planning and control of production.

4. Development of Cost Accounting.

5. Development of incentive plans of wage payment based on systematic study of work.

6. Focus on need for a separate Personnel Department.

7. Focus on the problem of fatigue and rest in industrial work.

Taylor was the pioneer in introducing scientific reasoning to the discipline of management. Many of the objections raised were later remedied by the other contributors to scientific management like Henry L Gantt, Frank and Lillian Gilbreth and Harrington Emerson.

Frank (USA, 1867 - 1924) and Lillian (U.S.A, 1878 - 1912): The ideas of Taylor were also strongly supported and developed by the famous husband and wife team of Frank and Lillian Gilbreth. They became interested in wasted motions in work. After meeting Taylor, they combined their ideas with Taylor's to put scientific management into effect. They made pioneering effort in the field of motion study and laid the entire foundation of our modern applications of job simplification, meaningful work standards and incentive wage plans.

Mrs. Gilbreth had a unique background in psychology and management and the couple could embark on a quest for better work methods. Frank Gilbreth is regarded as the father of motion study. He is responsible for inculcating in the minds of managers the questioning frame of mind and the search for a better way of doing things.

Gilbreth's contributions to management thought are quite considerable. His main contributions are:
   a) The one best way of doing a job is the way which involves the fewest motions performed in an accessible area and in the most comfortable position. The best way can be found out by the elimination of inefficient and wasteful motions involved in the work.
   b) He emphasized that training should be given to workers from the very beginning so that they may achieve competence as early as possible.
   c) He suggested that each worker should be considered to occupy three positions (i) the job he held before promotion to his present position,
   (ii) His present position, and

   (iii) The next higher position. The part of a worker's time should be spent in teaching the man below him and learning from the man above him. This would help him qualify for promotion and help to provide a successor to his current job.
   d) Frank and Lillian Gilberth also gave a thought to the welfare of the individuals who work for the organization.
   e) Gilbreth also devised methods for avoiding wasteful and unproductive movements.

He laid down how workers should stand, how his hands should move and so on.

Henry Lawrence Gantt (USA, 1861 - 1819): H.L Gantt was born in 1861. He graduated from John Hopkins College. For some time, he worked as a draftsman in an iron foundry.

In 1884, he qualified as a mechanical engineer at Stevens Institute. In 1887, he joined the Midvale Steel Company. Soon, he became an assistant to F.W Taylor. He worked with Taylor

from 1887

- 1919 at Midvale Steel Company. He did much consulting work on scientific selection of workers and the development of incentive bonus systems. He emphasized the need for developing a mutuality of interest between management and labor. Gantt made four important contributions tothe concepts of management:

1. Gantt chart to compare actual to planned performance. Gantt chart was a daily chart whichgraphically presented the process of work by showing machine operations, man hour performance, deliveries, effected and the work in arrears. This chart was intended to facilitate day-to-day production planning

2. Task-and-bonus plan for remunerating workers indicating a more humanitarian approach. This plan was aimed at providing extra wages for extra work besides guarantee of minimum wages. Under this system of wage payment, if a worker completes the work laidout for him, he is paid a definite bonus in addition to his daily minimum wages. On the other hand, if a worker does not complete his work, he is paid only his daily minimum wages. There was a provision for giving bonus to supervisors, if workers under him wereable to earn such bonus by extra work.

3. Psychology of employee relations indicating management responsibility to teach and trainworkers. In his paper "Training Workmen in Habits of Industry and Cooperation", Gantt pleaded for a policy of preaching and teaching workmen to do their work in the process evolved through pre-thinking of management.

4. Gantt laid great emphasis on leadership. He considered management as leadership function. He laid stress on the importance of acceptable leadership as the primary elementin the success of any business.

Gantt's contributions were more in the nature of refinements rather than fundamental concepts. They made scientific management more humanized and meaningful to devotees of Taylor.

Harrington Emerson (USA, 1853 - 1931): Emerson was an American Engineer. He devoted his attention to efficiency in industry. He was the first to use the term 'efficiency engineering' to describe his brand of consulting. He called his philosophy "The Gospel of Efficiency". Accordingto him, "efficiency means that the right thing is done in the right manner, by the right man, at the right place, in the right time".

Emerson laid down the following principles of efficiency to be observed by management:-

- Ideals
- Common Sense
- Competent Counsel
- Discipline
- Fair Deal
- Proper Records

- Dispatching
- Standards and Schedules
- Standard Conditions
- Standardized Operations
- Standard practice instructions
- Efficiency Reward.

3.3.2 Administrative / Process

Henry Fayol was the most important exponent of this theory. The pyramidal form, scalar principle,unity of command, exception principle, span of control and departmentalisation are some of the important concepts set forth by Fayol and his followers like Mooney and Reiley, Simon, Urwick,Gullick etc.

Henry Fayol (France, 1841 - 1925): Henry Fayol was born in 1941 at Constantinople in France. He graduated as a mining engineer in 1860 from the National School of Mining. After his graduation, he joined a French Coal Mining Company as an Engineer. After a couple of years, hewas promoted as manager. He was appointed as General Manager of his company in 1888. At that time, the company suffered heavy losses and was nearly bankrupt. Henry Fayol succeeded in converting his company from near bankruptcy to a strong financial position and a record of profitsand dividends over a long period.

Concept of Management: Henry Fayol is considered the father of modern theory of general andindustrial management. He divided general and industrial management into six groups:

1. Technical activities - Production, manufacture, adaptation.

2. Commercial activities - buying, selling and exchange.

3. Financial activities - search for and optimum use of capital.

4. Security activities - protection of property and persons.

5. Accounting activities - stock-taking, balance sheet, cost, and statistics.

6. Managerial activities - planning, organization, command, co- ordination and control.

These six functions had to be performed to operate successfully any kind of business. He, however, pointed out that the last function i.e., ability to manage, was the most important for upperlevels of managers.

The process of management as an ongoing managerial cycle involving planning, organizing, directing, co-ordination, and controlling, is actually based on the analysis of general managementby Fayol. Hence, it is said that Fayol established the pattern of management thought and practice.Even today, management process has general recognition.

Fayol's Principles of Management: The principles of management are given below:

1. **Division of work:** Division of work or specialization alone can give maximum productivity and efficiency. Both technical and managerial activities can be performed inthe best manner only through division of labour and specialization.

2. **Authority and Responsibility:** The right to give order is called authority. The obligationto accomplish is called responsibility. Authority and Responsibility are the

two sides of the management coin. They exist together. They are complementary and mutually interdependent.

3. **Discipline:** The objectives, rules and regulations, the policies and procedures must be honoured by each member of an organization. There must be clear and fair agreement on the rules and objectives, on the policies and procedures. There must be penalties (punishment) for non-obedience or indiscipline. No organization can work smoothly without discipline - preferably voluntary discipline.

4. **Unity of Command:** In order to avoid any possible confusion and conflict, each memberof an organization must receive orders and instructions only from one superior (boss).

5. **Unity of Direction:** All members of an organization must work together to accomplish common objectives.

6. **Emphasis on Subordination of Personal Interest to General or Common Interest:** This is also called principle of co-operation. Each shall work for all and all for each. General or common interest must be supreme in any joint enterprise.

7. **Remuneration:** Fair pay with non-financial rewards can act as the best incentive or motivator for good performance. Exploitation of employees in any manner must be eliminated. Sound scheme of remuneration includes adequate financial and nonfinancial incentives.

8. **Centralization: There** must be a good balance between centralization and decentralization of authority and power. Extreme centralization and decentralization mustbe avoided.

9. **Scalar Chain:** The unity of command brings about a chain or hierarchy of command linking all members of the organization from the top to the bottom. Scalar denotes steps.

10. **Order:** Fayol suggested that there is a place for everything. Order or system alone can create a sound organization and efficient management.

11. **Equity:** An organization consists of a group of people involved in joint effort. Hence, equity (i.e., justice) must be there. Without equity, we cannot have sustained and adequatejoint collaboration.

12. **Stability of Tenure:** A person needs time to adjust himself with the new work and demonstrate efficiency in due course. Hence, employees and managers must have job security. Security of income and employment is a pre-requisite of sound organization andmanagement.

13. **Initiative:** Creative thinking and capacity to take initiative can give us sound managerial planning and execution of predetermined plans.

14. **Esprit de corps:** Esprit of Co-operation is the foundation of a sound organization. Union is strength. But unity demands co-operation. Pride, loyalty and sense of belonging are responsible for good performance.

3.3.3 Bureaucracy Model

Max Weber, a German Sociologist developed the bureaucratic model. His model of bureaucracy includes :

i. Hierarchy of authority.

ii. Division of labour based upon functional specialization.

iii. A system of rules.

iv. Impersonality of interpersonal relationships.

v. A system of work procedures.

vi. Placement of employees based upon technical competence.

vii. Legal authority and power.

Bureaucracy provides a rigid model of an organization. It does not account for important human elements. The features of Bureaucracy are: -

1. Rigidity, impersonality and higher cost of controls.

2. Anxiety due to pressure of conformity to rules and procedure.

3. Dependence on superior.

4. Tendency to forget ultimate goals of the organization.

Bureaucratic Model is preferred where change is not anticipated or where rate of change can be predicated. It is followed in government departments and in large business organizations.

3.4 LET US SUM UP

Management occupies such an important place in the modern world that the welfare of the peopleand the destiny of the country are very much influenced by it. It is an operative force in all complexorganisations trying to achieve some stated objectives. Management is necessary for a business firm, government enterprises, education and health services, military organisations, trade associations and so on. The origin of management can be traced back to the days when man startedliving in groups. During this period, stalwarts like F.W Taylor, H.L. Gantt, Emerson, Frank andLillian Gilberth etc., laid the foundation of management, which in due course, came to be knownas scientific management.

Henry Fayol is considered the father of modern theory of general and industrial management. The14 principles of management given by Fayol are the bases of the science of management. The neo-classical theory pointed out the role of psychology and sociology in the understanding ofindividual and group behaviour in an organization. The systems approach to management

Scientific Management: Scientific management, also called "Taylorism" is a theory of management that analyses and synthesizes workflows.

Human Relations Theory: It is essentially concerned with the recognition and importance of human elements in organizations that enhances workers" productivity and efficiency. Skill:An ability and capacity acquired through deliberate, systematic, and sustained effort to smoothly

carry out an activity / task / job.

Conceptual Skill: It is the ability to see the organization as a whole, to recognise inter-relationship among different functions of business effectively and efficiently.

Behavioural Theory: It focuses on human behaviour in organizations and seeks to promote variable proportion for scientific understanding of human behaviour at work place.

Systems Theory: Systems theory is composed of related and dependent elements which, when in interaction, form a unitary whole. Hence all modern organizations in general are considered as open and dynamic system.

Contingency Theory: It is an integration of various approaches of management and emphasizes those organizations continuously and constantly interacts with the environment.

3.5   MODEL QUESTIONS

i.   Explain the contingency approach to Management. How far do you agree it applies to all situations in the present-day business environment context?

ii. Outline the major contributions of „classical school of thought" to the field of management.

3.6   FURTHER READING

i.   F.W. Taylor, Principles of Scientific Management, New York, Harper and Row.

ii. Henry Fayol, General and Industrial Management, Sir Isaac Pitman and Sons Ltd.

iii. J. Stoner, Management, Prentice-Hall of India, New Delhi.

iv. Peter Drucker, the Practice of Management, New York, Harper.

v. W. J. Duncan, Essentials of Management, Illinois, the Dryden Pres

UNIT-4: EVOLUTION OF MANAGEMENT THOUGHTS: NEO-CLASSICAL AND MODERN SCHOOL

STRUCTURE

LEARNING OBJECTIVES

After go through this unit you will be able to know-

- Appreciate the evolution of management thoughts.

- About the Neo-classical school of thought and modern thought

4.1 Introduction

The origin of management can be traced back to the days when man started living in groups. History reveals that strong men organized the masses into groups according to their intelligence, physical and mental capabilities. Evidence of the use of the well-recognized principles of management is to be found in the organization of public life in ancient Greece, the organization of the Roman Catholic Church and the organization of military forces. Thus, management in some form or the other has been practiced in the various parts of the world since the dawn of civilization. With the onset of Industrial Revolution, however, the position underwent a radical change. The structure of industry became extremely complex. At this stage, the development of a formal theory of management became absolutely necessary. It was against this background that the pioneers of modern management thought laid the foundations of modern management theory and practice. Evolution of management thoughts as described in the previous chapter which comes under classical school. In this unit we discuss about Neo-classical theories of management.

4.2 Neo Classical School of Thought

Neo-classical Theory is built on the base of classical theory. It modified, improved and extended the classical theory. Classical theory concentrated on job content and management of physical resources whereas, neoclassical theory gave greater emphasis to individual and

group relationship in the workplace. The neo- classical theory pointed out the role of psychology and sociology in the understanding of individual and group behaviour in an organization.

4.2.1 Human Relations School

George Elton Mayo (Australia, 1880 - 1949): Elton Mayo was born in Australia. He was educatedin Logic and Philosophy at St. Peter's College, Adelaide. He led a team of researchers from Harvard University, which carried out investigation in human problems at the Hawthorne Plant ofWestern Electrical Company at Chicago. They conducted some experiments (known as Hawthorne Experiments) and investigated informal groupings, informal relationships, patterns ofcommunication, patterns of informal leadership etc. Elton Mayo is generally recognized as the father of Human Relations School. Other prominent contributors to this school include Roethlisberger, Dickson, Dewey, Lewin etc.

Hawthorne Experiment: In 1927, a group of researchers led by Elton Mayo and Fritz Roethlisberger of the Harvard Business School were invited to join in the studies at the HawthorneWorks of Western Electric Company, Chicago. The experiment lasted up to 1932. The Hawthorne Experiments brought out that the productivity of the employees is not the function of only physicalconditions of work and money wages paid to them.

Productivity of employees depends heavily upon the satisfaction of the employees in their work situation. Mayo's idea was that logical factors were far less important than emotional factors in determining productivity efficiency. Furthermore, of all the human factors influencing employeebehaviour, the most powerful were those emanating from the worker's participation in social groups. Thus, Mayo concluded that work arrangements in addition to meeting the objective requirements of production must at the same time satisfy the employee's subjective requirement of social satisfaction at his work place.

The Hawthorne experiment consists of four parts. These parts are briefly described below: -

1.   Illumination Experiment.

2.   Relay Assembly Test Room Experiment.

3.   Interviewing Programme.

4.   Bank Wiring Test Room Experiment.

1. Illumination Experiment: This experiment was conducted to establish relationship between output and illumination. When the intensity of light was increased, the output also increased. Theoutput showed an upward trend even when the illumination was gradually brought down to the normal level. Therefore, it was concluded that there is no consistent relationship between output of workers and illumination in the factory. There must be some other factor which affected productivity.

2. Relay Assembly Test Room Experiment: This phase aimed at knowing not only the impact of illumination on production but also other factors like length of the working day, rest hours, andother physical conditions. In this experiment, a small homogeneous work-group of six girls was constituted. These girls were friendly to each other and were asked to work in a very informal atmosphere under the supervision of a researcher. Productivity and morale increased considerablyduring the period of the experiment. Productivity went on increasing and stabilized at a high leveleven when all the improvements were taken away and the pre-test conditions were reintroduced. The researchers concluded that socio-psychological factors such as feeling of being important, recognition, attention, participation, cohesive work-group, and non-directive supervision held thekey for higher productivity.

3. Mass Interview Programme: The objective of this programme was to make a systematic studyof the employees' attitudes which would reveal the meaning which their "working situation" has for them. The researchers interviewed a large number of workers with regard to their opinions onwork, working conditions and supervision. Initially, a direct approach was used whereby interviews asked questions considered important by managers and researchers. The researchers observed that the replies of the workmen were guarded. Therefore, this approach was replaced byan indirect technique, where the interviewer simply listened to what the workmen had to say. Thefindings confirmed the importance of social factors at work in the total work environment.

4. Bank Wiring Test Room Experiment: This experiment was conducted by Roethlisberger andDickson with a view to develop a new method of observation and obtaining more exact information about social groups within a company and also finding out the causes which restrict output. The experiment was conducted to study a group of workers under conditions which wereas close as possible to normal. This group comprised of 14 workers. After the experiment, the production records of this group were compared with their earlier production records. It was observed that the group evolved its own production norms for each individual worker, which wasmade lower than those set by the management. Because of this, workers would produce only thatmuch, thereby defeating the incentive system. Those workers who tried to produce more than thegroup norms were isolated, harassed or punished by the group. The findings of the study are: -

- Each individual was restricting output.

- The group had its own "unofficial" standards of performance.

- Individual output remained fairly constant over a period of time.

- Informal groups play an important role in the working of an organization.

Contributions of the Hawthorne Experiment: Elton Mayo and his associates conducted their studies in the Hawthorne plant of the western electrical company, U.S.A., between 1927 and 1930.According to them, behavioural science methods have many areas of application in management.The important features of the Hawthorne Experiment are: -

i.   A business organization is basically a social system. It is not just a techno-economic system.

ii.   The employer can be motivated by psychological and social wants because his behaviour isalso influenced by feelings, emotions and attitudes. Thus, economic incentives are not the only method to motivate people

iii.   Management must learn to develop co-operative attitudes and not rely merely on command.

iv.   Participation becomes an important instrument in human relations movement. In order to achieve participation, effective two-way communication network is essential.

v.   Productivity is linked with employee satisfaction in any business organization. Therefore, management must take greater interest in employee satisfaction.

vi.   Group psychology plays an important role in any business organization. We must thereforerely more on informal group effort.

vii.   The neo-classical theory emphasizes that man is a living machine and he is far more important than the inanimate machine. Hence, the key to higher productivity lies inemployee morale. High morale results in higher output.

4.2.2   BEHAVIOURAL SCHOOL

There are three distinct elements of Behavioural school as mentioned below:

1.The Individual: The neoclassical theory emphasized that individual differences must be recognised. An individual has feelings, emotions, perception and attitude. Each person is unique.He brings to the job situation certain attitudes, beliefs and ways of life, as well as skills. He has certain meaning of his job, his supervision, working conditions etc. The inner world of the worker is more important than the external reality in the determination of productivity. Thus, human relations at work determine the rise or fall in productivity. Therefore, human relationists advocatethe adoption of multidimensional model of motivation which is based upon economic, individualand social factors.

Work Groups: Workers are not isolated; they are social beings and should be treated as such by management. The existence of informal organization is natural. The neo-classical theory describes the vital effects of group psychology and behaviour on motivation and productivity

2.   Participative Management: The emergence of participative management is inevitable when emphasis is laid on individual and work groups. Allowing labour to participate in decision makingprimarily to increase productivity was a new form of supervision.

Management now welcomes worker participation in planning job contents and job operations. Neoclassical theory focuses its attention on workers. Plant layout, machinery, tool etc., must offeremployee convenience and facilities. Therefore, neoclassical approach is trying to satisfy personalsecurity and social needs of workers.

Human relationists made very significant contribution to management thought by bringing

into limelight human and social factors in organizations. But their concepts were carried beyond an appropriate limit. There are many other factors which influence productivity directly. Modern management thought wants equal emphasis on man and machine and we can evolve appropriate man- machine system to secure both goals – productivity and satisfaction.

Limitations of Human Relations Approach: -

1. The human relationists drew conclusions from Hawthorne studies. These conclusions arebased on clinical insight rather than on scientific evidence.
2. The study tends to overemphasize the psychological aspects at the cost of the structural and technical aspects.
3. It is assumed that all organizational problems are amenable to solutions through humanrelations. This assumption does not hold well in practice.
4. The human relationists saw only the human variables as critical and ignored other variables.

5. The human relationists overemphasize the group and group decision- making. But in practice,groups may create problems and collective decision-making may not be possible.

4.3 QUANTITATIVE / OPERATIONS SCHOOL

The quantitative approach to management, sometimes known as operations research or management science, uses quantitative techniques to improve decision making. This approach includes applications of statistics, optimization models, information models, and computer simulations. The quantitative approach originated during World War II as mathematical and statistical solutions to military problems were developed for wartime use.

The relevance of quantitative approach today is that it has contributed most directly to managerialdecision making, particularly in planning and controlling. The availability of sophisticatedcomputer software programs has made the use of quantitative techniques more feasible for managers.

This approach is also called 'Mathematical', 'Operations' Research of 'Management Science' approach. The basic feature of the quantitative management thought is the use of mixed teams ofscientists from several disciplines. The school use scientific tools for providing a quantitative basefor managerial decisions. Etc. The techniques commonly used for managerial decision-making include Linear Programming, Critical Path Method (CPM), Programme Evaluation ReviewTechnique (PERT), Games Theory, Queuing Theory, Break-Even Analysis, etc.

The basic assumptions of quantitative approach are as follows:

i.   Management is essentially decision-making and an organization is a decision- making unit.

ii.   Organizational efficiency is depending upon the quality of managerial decisions.

iii.   The problem is expressed in the form of a quantitative or mathematical model containing mathematical symbols and relationships.

iv.   The different variables in management can be quantified and expressed in the form of an equation.

v.   Development of decision-making models may require the skills of many disciplines such as mathematics, economics, statistics, physical sciences, behavioral sciences and cost accountancy.

vi.   The mathematical models enable the managers to discover significant relationship betweenvariables that could be controlled.

4.4 SYSTEMS APPROACH

The systems approach to management indicates the fourth major theory of management thought called modern theory. Modern theory considers an organization as an adaptive system which hasto adjust to changes in its environment. An organization is now defined as a structured process inwhich individuals interact for attaining objectives.

Meaning of "System": The word system is derived from the Greek word meaning to bring togetheror to combine. A system is a set of interconnected and inter-related elements or component partsto achieve certain goals. A system has three significant parts:

1. Every system is goal-oriented and it must have a purpose or objective to be attained.

2. In designing the system, we must establish the necessary arrangement of components.

3. Inputs of information, material and energy are allocated for processing as per plan so that theoutputs can achieve the objective of the system.

PLANS	INPUTS	PROCESS	OUTPUTS
1. Objectives 2. Policies 3. Procedures 4. Programme 5. Schedules 6. Methods	1. Information 2. Energy 3. Raw Materials	Conversion of inputs into outputs Men-Machine System	1. Information 2. Energy 3. Materials or goods
GOALS AND PLANS	RESOURCES	PRODUCTION	SALEABLE PRODUCTS

Note:
1.   Generally there are three basic inputs that enter the processor of the system namely information (Technology), energy (motive power) and materials to be transformed into goods.
2.   If the output is service, materials are not included in the inputs.
3.   If we have a manufacturing company, output are goods or materials.
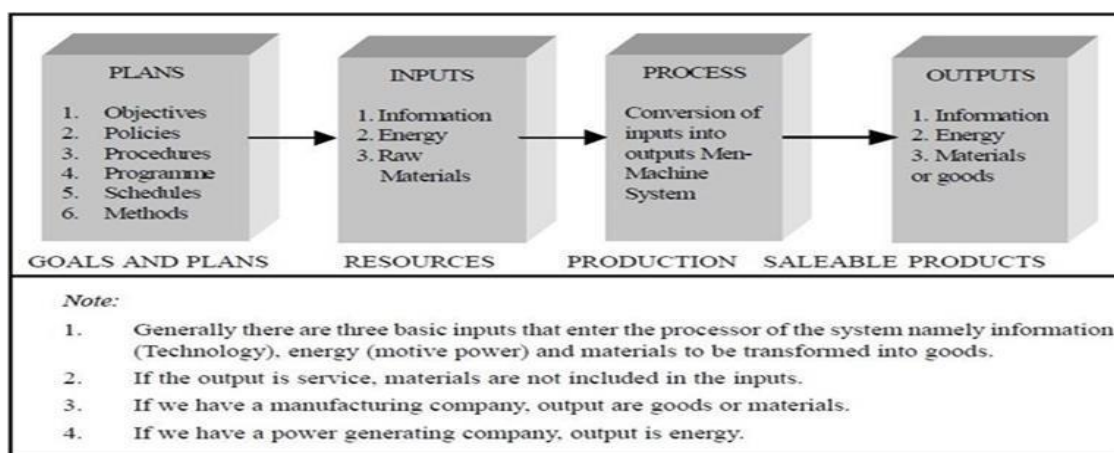4.   If we have a power generating company, output is energy.

Fig 4.2: Systems Approach

Systems Approach Applied to an Organization: When systems approach is applied to organization, we have the following features of an organization as an open adaptive system:
1. It is a sub-system of its broader environment.

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2. It is a goal-oriented – people with a purpose.

3. It is a technical subsystem – using knowledge, techniques, equipment and facilities.

4. It is a structural subsystem – people working together on interrelated activities.

5. It is a psychosocial system – people in social relationships.

6. It is co-ordinate by a managerial sub system, creating, planning, organizing, motivating,communicating and controlling the overall efforts directed towards set goals.

Characteristics of Modern Management Thought:

1. The Systems Approach: An organization as a system has five basic parts -

a.   Input

b.   Process

c.   Output

d.   Feedback and

e.   Environment.

It draws upon the environment for inputs to produce certain desirable outputs. The success of theseoutputs can be judged by means of feedback. If necessary, we have to modify out mix of inputs toproduce as per changing demands.

2. Dynamic: We have a dynamic process of interaction occurring within the structure of an organization. The equilibrium of an organization and its structure is itself dynamic or changing.

3. Multilevel and Multidimensional: Systems approach points out complex multilevel and multidimensional character. We have both a micro and macro approach. A company is micro within a business system. It is macro with respect to its own internal units. Within a company as a system we have:-

i.   Production subsystem

ii.   Finance subsystem

iii.   Marketing subsystem

iv.   Personnel subsystem.

All parts or components are interrelated. Both parts as well as the whole are equally important. Atall levels, organizations interact in many ways.

4. Multi motivated: Classical theory assumed a single objective, for instance, profit. Systems approach recognizes that there may be several motivations behind our actions and behaviour. Management has to compromise these multiple objectives e.g.: - economic objectives and social objectives.

Multidisciplinary: Systems approach integrates and uses with profit ideas emerging from

different schools of thought. Management freely draws concepts and techniques from many fields of study such as psychology, social psychology, sociology, ecology, economics, mathematics, etc.

5. Multivariable: It is assumed that there is no simple cause-effect phenomenon. An event maybe the result of so many factors which themselves are interrelated and interdependent. Some factors are controllable, some uncontrollable. Intelligent planning and control are necessary to face these variable factors.

6. Adaptive: The survival and growth of an organization in a dynamic environment demands an adaptive system which can continuously adjust to changing conditions. An organization is an open system adapting itself through the process of feedback.

7. Probabilistic: Management principles point out only probability and never the certainty of performance and the consequent results. We have to face so many variables simultaneously. Our forecasts are mere tendencies. Therefore, intelligent forecasting and planning can reducethe degree of uncertainty to a considerable extent.

4.5 CONTINGENCY APPROACH

Systems approach emphasizes that all sub- systems of an organization along with the super systemof environment are interconnected and interrelated. Contingency approach analysis and understands these interrelationships so that managerial actions can be adjusted to demands of specific situations, circumstances or environment.

Thus, the contingency approach enables us to evolve practical answers to problems demanding solutions. Organization design and managerial actions most appropriate to specific situations willhave to be adopted to achieve the best possible result under the given situation. There is no one best way (as advocated by Taylor) to organize and manage. Thus, Contingency Approach to management emphasizes the fact that management is a highly practice-oriented discipline. It is the basic function of managers to analyse and understand the environments in which they functionbefore adopting their techniques, processes and practices. The application of management principles and practices should therefore be contingent upon the existing circumstances.

Contingency approach guides the manager to be adaptive to environment. It tells the manager to be pragmatic and open minded. The contingency approach is an improvement over the systems approach. It not only examines the relationships between sub-systems of the organization, but alsothe relationship between the organization and its environment.

However, the contingency approach suffers from two limitations: -

1. It does not recognize the influence of management concepts and techniques on environment.

2. Literature on contingency management is yet not adequate.

4.6 LET US SUM UP

Management occupies such an important place in the modern world that the welfare of the people and the destiny of the country are very much influenced by it. It is an operative force in all complex organs trying to achieve some stated objectives. Management is necessary for a business firm, government enterprises, education and health services, military organisations, trade associations and so on. The origin of management can be traced back to the days when man started living in groups.

Henry Fayol is considered the father of modern theory of general and industrial management. The14 principles of management given by Fayol are the bases of the science of management. The neo- classical theory pointed out the role of psychology and sociology in the understanding of individual and group behaviour in an organization. The systems approach to management indicates the third major theory of management thought called modern theory. Modern theory considers an organization as an adaptive system which has to adjust to changes in its environment.

Human Relations Theory: It is essentially concerned with the recognition and importance of human elements in organizations that enhances workers" productivity and efficiency. Skill: An ability and capacity acquired through deliberate, systematic, and sustained effort to smoothly carry out an activity / task / job

Behavioural Theory: It focuses on human behaviour in organizations and seeks to promote variable proportion for scientific understanding of human behaviour at work place.

Systems Theory: Systems theory is composed of related and dependent elements which, when in interaction, form a unitary whole. Hence all modern organizations in general are considered as open and dynamic system.

Contingency Theory: It is an integration of various approaches of management and emphasizes those organizations continuously and constantly interacts with the environment.

4.7 MODEL QUESTIONS

a. Explain the contingency approach to Management. How far do you agree it applies to all situations in the present-day business environment context?

b. Outline the major contributions of Neo-classical school of thought" to the field of management.

4.8 FURTHER READING

1. F.W. Taylor, Principles of Scientific Management, New York, Harper and Row.

2. Henry Fayol, General and Industrial Management, Sir Isaac Pitman and Sons Ltd.

3. J. Stoner, Management, Prentice-Hall of India, New Delhi.

4. Peter Drucker, the Practice of Management, New York, Harper.

5. W. J. Duncan, Essentials of Management, Illinois, the Dryden Press.

BLOCK-2: PLANNING AND ORGANISING

UNIT-5: PLANNING: CONCEPTS ANDTYPES

UNIT-6: STRATEGIC PLANNING AND FORECASTING

UNIT-7: ORGANISING: CONCEPTS AND MODELS

UNIT-8: DELEGATION OF AUTHORITY

UNIT-5: PLANNING: CONCEPTS AND TYPES

STRUCTURE

LEARNING OBJECTIVES

After completion of the unit, you should be able to:

- Explain the definition of planning in clear terms.

- Understand the nature and characteristics of planning.

- Appreciate, why planning is eminently essential for all organizations.

- Understand the benefits and limitations of planning

5.1 INTRODUCTION

Planning is deciding in advance what to do, how to do, when to do and who is to do. Planning bridges the gap from where we are to where we want to go. It involves the selection of objectives,policies and programmes from among alternatives. A plan should be a realistic view of the expectations. Depending upon the activities, a plan can be long range, intermediate range or short range. It is the framework within which it must operate. For management seeking external support,the plan is the most important document and key to growth. Preparation of a comprehensive planwill not guarantee success, but lack of a sound plan will almost certainly ensure failure. Planningcan be done for the entire organization (Corporate Planning) or a business unit (Business Planning), or a division (Divisional Planning) or a department (Departmental Planning) or at the level of an individual manager (Personal Planning).

5.2 DEFINITIONS

"Planning is an intellectually demanding process; it requires the conscious determination ofcourses of action". -Harold Koontz
"Planning is the process of deciding in advance what is to be done, who is to do it, how it is to bedone and when it is to be done". -Kenneth H. Killen

5.3 NATURE AND CHARACTERISTICS OF PLANNING

Nature of Planning

The essential nature of planning can be highlighted in terms of the following four major aspects.

a) **Contribution to Purpose and objectives:**

The purpose of every plan and all derivative plans is to facilitate the accomplishment of enterprise purpose and objectives. This principle derives from the nature of organized enterprise, which exists for the accomplishment of group purpose through deliberate cooperation.

b) **Primacy of Planning:**Managerial operation in organizing, staffing, leading and controlling are designed to support the accomplishment of enterprise objectives. Hence, planning logically precedes the execution of all other managerial functions.

c) **Pervasiveness of planning**: Planning is a function of all managers, although the character and breadth of planning will vary with their authority and with the nature of policies and plans outlined by their superiors.

d) **Efficiency of plans:** The efficiency of a plan is by the amount it contributes to purpose and objectives as off- set by costs and other consequences required to formulate and operate it.

Characteristics of planning

a) Planning is closely associated with the goals of the organization. These goals might be implicit or explicit. However, well–defined goals lead to efficiency in planning.

b) Planning is primarily concerned with the forecasting of future situation in which an organization has to function. Accurate forecasting leads to correct decision about future course of action.

c) Planning involves the selection of the best among several alternatives for achieving the organizational objectives, as all of them are not equally applicable and suitable to the organization.

d) Planning is comprehensive and is required in every course of action in the organization.

e) Planning is flexible as it is based on future conditions which are always dynamic. As such,an adjustment is needed between the various factors and planning.

5.4 NEED AND SIGNIFICANCE OF PLANNING

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

1.   Planning is essential in modern business: The growing complexity of the modern business with rapid technological changes, dynamic changes in the consumer preferences and growing tough competition necessities orderly operations, not only in the current environment but also in

the future environment. Since planning takes a future outlook, it takes into account the possible future developments.

2. Planning affects performance: A number of empirical studies provide evidence of organizational success being a function of formal planning, the success being measured by such factors as return on investment, sales volume, growth in earnings per share and so on. An investigation of firms in various industrial products as machinery, steel, oil, chemicals and drugsrevealed that companies that engaged in formal planning consistently performed better than thosewith no formal planning.

3.   Planning puts focus on objectives: The effectiveness of formal planning is primarily based upon clarity of objectives. Objectives provide a direction and all planning decisions are directed towards achievement of these objectives. Plans continuously reinforce the importance of these objectives by focusing on them. This ensures maximum utility of managerial time and efforts.

4.   Planning anticipates problems and uncertainties: A significant aspect of any formal planningprocess in collection of relevant information for the purpose of forecasting the future as accuratelyas possible. This would minimize the chances of haphazard decisions. Since the

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future needs of the organization are anticipated in advance, the proper acquisition and allocation of resources canbe planned, thus minimizing wastage and ensuring optimal utility of these resources.

5.   Planning is necessary to facilitate control: Controlling involves the continual analysis and measurement of actual operations against the established standards. These standards are set in the light of objectives to by achieve. Periodic reviews of operations can determine whether the plansare being implemented correctly. Well-developed plans can aid the process of control in two ways.First, the planning process establishes a system of advance warning of possible deviations from the expected performance.

Second contribution of planning to the control process is that it provides quantitative data which would make it easier to compare the actual performance in quantitative terms, not only with the expectations of the organization but also with the industry statistics or market forecasts.

6.   Planning helps in the process of decision making: Since planning specifies the actions and steps to be taken in order to accomplish organizational objectives, it serves as a basis for decision-

making about future activities. It also helps managers to make routine decisions about currentactivities since the objectives, plans, policies, schedules and so on are clearly laid down.

5.5 THE SIX P'S OF PLANNING

They are as follows:

1. Purpose

An effective planning system requires a clear understanding of the organization's purpose. Whatare the reasons for the organization's existence? Is it to increase profit or increase market share orgenerate more employment or introduce more products, and so on? This purpose must be clear and elaborate.

2. Philosophy

Philosophy incorporates the fundamental beliefs as to how the organization's purpose is to be achieved. For long-term survival and growth, a philosophy of ethical conduct must be adopted.

3. Premise

This involves the strengths and weaknesses of the organization and its knowledge and assumptionsabout its environment. By forecasting and other methods, the management can make some conclusions about the trends of the environment and by knowing its own strengths and weaknessesit can deal with the changing environment in a more intelligent way.

4. Policies

Are general guidelines or constraints that aid managerial thinking and action. In a typicalorganization, there are production policies, financial policies, accounting policies, marketing policies, personnel policies; and these form the basis for planning and necessary operational actions.

5. Plans

Plans represent specific objectives and action statements. Objectives are the goals to be met and the action statements are the means to achieve these ends. These plans guide us step by step as tohow to reach the objectives and also at what stage the progress is at a given time.

6. Priorities

A particular organisational goal must be given a particular priority. Limited resources of time, finances, materials, etc., must be proportionally allotted to goals of priority. The priorities will determine an appropriate allocation of resources.

Prioritizing goals will determine what is relatively more important. A goal that is given higher priority will receive more attention and more resources. For example, a research-oriented organisation will get different priorities and resources than a profit-oriented organisation. Settingpriorities for goals will be established.

5.6   STEPS IN PLANNING PROCESS

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

1. Establishing Verifiable Goals or Set of Goals to be achieved:

The first step in planning is to determine the enterprise objectives. These are most often set by upper level or top managers, usually after a number of possible objectives have been carefully considered. There are many types of objectives managers may select: a desired sales volume or growth rate, the development of a new product or service, or even a more abstract goal such as becoming more active in the community. The type of goal selected will depend on number of factors: the basic mission of the organization, the values its managers hold, and the actual and potential ability of the organization.

2. Establishing Planning Premises:

The second step in planning is to establish planning premises, i.e., certain assumptions about the future on the basis of which the plan will be intimately formulated. Planning premises are vital to

the success of planning as they supply economic conditions, production costs and prices, probablecompetitive behaviour, capital and material availability, governmental control and so on.

3. Deciding the planning period:

Once upper-level managers have selected the basic long-term goals and the planning premises, the next task is to decide the period of the plan. Business varies considerably in their planning periods. In some instances, plans are made for a year only while in others they span decades. In each case, however, there is always some logic in selecting a particular time range for planning. Companies generally base their period on a future that can reasonably be anticipated. Other factorswhich influence the choice of a period are as follows:

(a)   Lead time in development and commercialization of a new product;

(b)   Time required to recover capital investments or the payback period; and

(c)   Length of commitments already made.

4. Findings Alternative Courses of Action:

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

5. Evaluating and Selecting a Course of Action:

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

6. Developing Derivative plans:

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

7. Measuring and Controlling the Progress:

Obviously, it is foolish to let a plan run its course without monitoring its progress.

Hence the process of controlling is a critical part of any plan. Managers need to check the progressof their plans so that they can (a) take whatever remedial action is necessary to make the plan work, or (b) change the original plan if it is unrealistic.

5.7 TYPES / CLASSIFICATIONS OF PLANNING

1. Objectives

The first step in planning is setting objectives it is said to be the desired future position that the management would like to reach. They are basic to the organization and they are defined as endswhich the management seeks to achieve by its operations. They define the future states of affairswhich the organization strives to realize. They serve as a guide for overall business planning objectives need to be expressive in specific terms. They are the end points of planning.

2. Policy

A policy is a general guide to thinking and action rather than a specific course of action. It definesthe area or limits within decisions can be made to achieve organizational objectives can be attained. A policy is a continuing decision as it provides answers to problems of recurring nature.

3. Procedure

They are routine steps to carry out activities. They detailed the exact manner in which any work is to be performed. They are specified in a chronological order. It lays down the specific manner in which a particular activity is to be performed.
It is a planned sequence of operations for performing repetitive activities uniformly and consistently. They play an important role in the daily operations of an organization.

4. Rules

They are rigid and definite plans that specify what is to be done or not to be done in given situations. A rule provides no scope for discretion and judgment. It is a prescribed guide to conductor action. They are usually the simplest type of plans because there is no compromise or change unless a policy decision is taken. They help to regulate behaviour and to facilitate communication.

5. Budget

It is a statement of expected results expressed in numerical terms. It is planning which quantities future,facts and figures. They serve as a means of co- ordination and control. They provide clarity, direction and purpose in the activities of an organization by laying down

verifiable and measurablegoals for a specified period of time. It is expressed in terms of money or physical units. It is a blueprint of future course of action and activities. It is prepared in advance, and related to future period.

6. Project

A project is a distinct cluster of functions and facilities for a defined purpose and definite time period. It is designed and executed as a distinct plan. It is integrated into a unit and is designed to achieve stated objectives. It is defined in term of specific objective, interdependence of tasks etc.they help to facilitate co-ordination and control by identifying an integrated work package withina heterogeneous mass of activities and resources.

7. Strategy

The concept of strategy in business has been borrowed from military science and sports where it implies outmaneuvering the opponent. The term strategy began to be used in business with increase in competition and complexity of operations. It may be defined as gamesmanship or as administrative course of action designed to achieve success in the face of difficulties. It is an overall plan prepared for meeting the challenge posed by the activities of competitors and other environment forces (it is a long-term plan as it is designated to achieve the mission of the organization. It is forward looking and is mainly the job of top management).

Limitations of Planning

Planning is not a substitute for executive judgment but merely an aid to it. It suffers from the following limitations:

1. Inaccuracy: Planning is based on forecasts which are never cent per cent accurate.

The accuracy and reliability of forecasting diminishes as the forecasting period increases. If reliable forecast and data are not available, planning becomes unrealistic.

2. Time consuming: Planning is a time-consuming and expensive process. Time, effort andmoney are required in the collection and analysis of data and in the formulation and revision of plants. Planning is useful only when the expected gains from it exceed its costs. By the time plans are prepared, conditions might change rendering the entire efforts irrelevant.

3. Rigidity: Planning may result in internal inflexibilities and procedural rigidities which curb initiative and individual freedom. Sometimes, planning may cause delay in decision-making. A manager may be bogged down by rules and procedures when there is need for quick decision.

4. Resistance: Planning often requires some change in the existing set-up. Unless the required change is forthcoming, planning may be ineffective. Resistance to change is an

important obstaclein planning. Planning also requires a forward – looking attitude. But very often, people have a greater regard for the present as future is uncertain.

5. False Security: Planning may create a false sense of security in the organisation. A manager may feel that all problems will be solved once the plans are put into operation. In reality, management has to continuously revise the plans and regularly check on their execution.

6. Pressure-tactics: Powerful people and other vested interests may exert pressure to ensure thatthe plans serve their own interests. Moreover, the planners may be unduly influenced by the 'pet projects' of the 'big boss' and may not make an objective analysis of the available alternatives. It is very difficult to measure accurately the effectiveness of planning.

7. External Constraints: The effectiveness of planning may be affected by external forces whichare beyond the control of those responsible for preparing plans.

Government control, natural calamities and other unforeseen events may create hurdles in theimplementation of plans. It is very difficult to predict and provide for such external constraints.

5.8 DEFINITIONS AND CHARACTERISTICS OF DECISION-MAKING

Definitions

Some of the important definitions of decision-making are given as under.

"Decision-making is the selection based on some criteria from two or more possible alternatives".

-George R. Terry

"A decision can be defined as a course of action consciously chosen from available alternatives for the purpose of desired result". - J.L. Massie

"A decision is an act of choice, wherein an executive forms a conclusion about what must be donein a given situation. A decision represents a course of behaviour chosen from a number of possiblealternatives". - Dalton E. McFarland

From these definitions, it is clear that decision-making is concerned with selecting a course of action from among alternatives to achieve a predetermined objective.

Following elements can be derived from the above mentioned definitions:

- Decision–making is a selection process and is concerned with selecting the best type ofalternative.
- The decision taken is aimed at achieving the organisational goals.

- It is concerned with the detailed study of the available alternatives for finding the bestpossible alternative.

- Decision making is a mental process. It is the outline of constant thoughtful consideration.

- It leads to commitment. The commitment depends upon the nature of the decision whethershort term or long term.

Characteristics

- Decision making is a process of selection, which aim to result a best alternative.

- It aims to achieve the objectives of the organization.

- It involves the evolution of alternative, only through evaluation one can come to know thebest alternative.

- Decision making is a mental process, because the final selection is made after a thoroughconsideration.

- It involves certain kind commitments on the part of the organizational members.

5.9 NEED AND IMPORTANCE OF DECISION-MAKING

As an entrepreneur or leader, you will make decisions involving not only yourself, but the moraleand welfare of others. Some decisions, such as when to take a break or where to hold a meeting, are simple decisions which have little effect on others. Other decisions are often more complex and may have a significant impact on many people. Therefore, having a decision-making,problem-solving process can be a helpful tool. Such a process can help you to solve these differenttypes of situations. Within business and the military today, leaders at all levels use some form ofa decision-making, problem-solving process.

It is beyond doubt that the decision making is an essential part of every function of management.According to Peter F. Drucker, "Whatever a manager does, he does through decision making". Decision making lies deeply embedded in the process of management, spreads over all the managerial functions and covers all the areas of the organization. Management and decision making are bound up and go side by side in every activity performed by manager. Whether knowingly or unknowingly, every manager makes decisions constantly.

Right from the day when the size of the organization used to be very small to the present day hugeor mega size of the organization, the importance of decision making has been there. The significantdifference is that in today's complex organization structure, the decision making is getting more and more complex. Whatever a manager does, he does through making decisions. Some of the decisions are of routine and repetitive in nature and it might be that the manager does not realize that he is taking decisions whereas, other decisions which are of strategic nature may require a lotof systematic and scientific analysis. The fact remains

that management is always a decision-making process. The most outstanding quality of successful manager is his/her ability to make sound and effective decisions. A manager has to make up his mind quickly on certain matters. It is not correct to say that he has to make spur of the moment decisions all the time. For taking many decisions, he gets enough time for careful fact finding, analysis of alternatives and choice of the best alternative. Decision making is a human process. When one decides, he chooses a course alternative which he thinks is the best. Decision making is a proper blend of thinking, deciding and action. An important executive decision is only one event in the process which requires a succession of activities and routine decisions all along the way. Decisions also have a time dimension and a time lag. A manager takes time to collect facts and to weigh various alternatives. Moreover, after decides, it takes still more time to carry out a decision and, often, it takes longer before he can judge whether the decision was good or bad. It is also very difficult to isolate the effects of any single decision.

5.10 TYPES OF DECISION-MAKING

Decisions have been classified by various authorities in various ways. The main types of decisions are as follows:

1. Programmed and non-programmed decisions: Professor Herbert Simon has classified all managerial decisions as programmed and non-programmed decisions. He has utilized computer terminology in classifying decisions. The programmed decisions are the routine and repetitive decisions for which the organization has developed specific processes. Thus, they involve no extraordinary judgment, analysis and authority. They are basically devised so that the problem may not be treated as a unique case each time it arises. On the other hand, the non-programmed decisions are the one-shot, ill structured, novel policy decisions that are handled by general problem-solving processes. Thus, they are of extraordinary nature and require a thorough study of the problem, its in-depth analysis and the solving the problem. They are basically non-repetitive in nature and may be called as strategic decisions.

2. Basic and routine decisions: Professor George Katona has made a distinction between basic decision and routine decisions. Routine decisions are of repetitive nature and they involve the application of familiar principles to a situation. Basic or genuine decisions are those which require a good deal of deliberation on new principles through conscious thought process, plant location, and distribution are some examples of basic decisions.

3. Policy and operative decisions: Policy decisions are important decisions and they involve a change in the procedure, planning or strategy of the organization. Thus, they are of a fundamental character affecting the whole business. Such decisions are taken by the top management. On the contrary, operating decisions are those which are taken by lower levels of management for the purpose of executing policy decisions. They are generally concerned with the routine type of work, hence unimportant for the top management.

They mostly relate to the decision-makers own work and behaviour while policy

decision influences the work and behaviour of subordinates.

4. Individual and group decisions: Individual decisions are those decisions which are made by one individual – whether owner of the business or by a top executive. On the other hand, group-

decisions are the decisions taken by a group of managers – board, team, committee or a sub-committee. In India, individual decision-making is still very common because a large number of businesses are small and owned by a single individual. But in joint stock Company's group decisions are common. There are both merits and demerits of each type of decision.

5.11 STEPS IN DECISION-MAKING PROCESS

1. Identifying and diagnosing the real problem

Understanding the situation that sets the stage for decision making by a manager is an important element in decision making. Pre-determined objectives past acts and decision and environment consideration provide the structure for current decisions. Once this structure is laid, the manager can proceed to identify and determine the real problem.

2. Search and Development of alternatives

The next step is to search for available alternatives and assess their probable consequences. But the number of forces reacting upon a given situation is so large and varied that management wouldbe wise to follow the principle of the limiting factor. That is management should limit itself to thediscovery of those key factors which are critical or strategic to the decision involved.

3. Analysis and evaluation of available alternatives

Once the alternatives are discovered, the next stage is to analyse and compare their relative importance. This calls for the listing of the pros and cons and different alternatives in relation to each other. Management should consider the element of risk involved in each of them and also the resources available for the implementation.

4. Selection of alternatives to be followed

Defining the problem, identifying the alternatives and their analysis and evaluation set the stage for the manager to determine the best solution. In this matter, a manager is frequently guided by his past experience. If the present problem is similar to one faced in the past, the manager has a tendency to decide on the basis past experience is a useful guide for the decision in the present. But it should not be followed blindly. Changes in the circumstances and underlying assumption of decisions in the past should be carefully examined before deciding a problem on the basis of experience.

5. Communicate of the decision and its acceptance by the organization

Once decision is made, it needs to be implemented. This calls for laying down derivative plans and they communicate to all those responsible for initiating action on them. It will be better if the manager takes into account beliefs, attitude and prejudices of people in the organization and is also aware of his own contribution to implantation of the decision. It is further required that subordinates are encouraged to participate in decision making process so that they feel committed and morally bound to support the decisions.

Managers can make decisions on the basis of rationality, bounded rationality, or intuition.

1. Rational decision making. Managerial decision making is assumed to be rational—that is, making choices that are consistent and value-maximizing within specified constraints. A rational manager would be completely logical and objective. Rational decision making assumes that the manager is making decisions in the best interests of the organization, not in his/her own interests.

The assumptions of rationality can be met if the manager is faced with a simple problem in which

(1)   Goals are clear and alternatives limited,

(2)   Time pressures are minimal and the cost of finding and evaluating alternatives is low,

(3)   The organizational culture supports innovation and risk taking, and

(4)   Outcomes are concrete and measurable.

2. Bounded rationality. As the perfectly rational model of decision making isn't realistic, managers tend to operate under assumptions of bounded rationality, which is decision-making behaviour that is rational, but limited (bounded) by an individual's ability to process information.

Under bounded rationality, managers make satisficing decisions, in which they accept solutions that are "good enough." Managers' decision making may be strongly influenced by the organization's culture, internal politics, power considerations, and by a phenomenon called escalation of commitment— an increased commitment to a previous decision despite evidence that it may have been wrong.

3. Intuitive decision making. Managers also regularly use their intuition. Intuitive decision making is a subconscious process of making decisions on the basis of experience and accumulated

judgment. Although intuitive decision making will not replace the rational decision-making process, it does play an important role in managerial decision making.

5.12   TECHNIQUES OF DECISION-MAKING

1. Marginal Analysis: When making decisions, this method is used to calculate how much extraoutput will be produced if one more variable (such as a raw material, machine, or labour) is added.Marginal analysis is described by Paul Samuelson in his book "Economics" as the additional output that will be produced by increasing any input variable by one unit while holding all other variables constant.

In the decision-making process, marginal analysis is particularly helpful for weighing the pros andcons of several options.

2. Financial Analysis: This method for making decisions is used to predict an investment's profitability, determine the payback period (the time it will take for the cash benefits to cover theinvestment's initial cost), and examine cash inflows and outflows.

Discounting the cash inflows and outflows allows for the evaluation of investment options (discounting is the process of determining the present value of a future amount, assuming that thedecision-maker has an opportunity to earn a certain return on his money).

3. Break-even Analysis: A decision-maker can use this tool to compare the costs of the various options on the basis of pricing, fixed costs, and variable costs per unit. The amount of revenue required to cover all fixed costs can be calculated using a break-even analysis.
The decision-maker can use this method to calculate the break-even threshold for the business overall or for each individual product. Total revenue and total expense are equal at the break-evenpoint, and there is no profit.

4. Ratio Analysis: It is a tool used in accounting for deciphering accounting data. The relationshipbetween two variables is defined by ratios. The fundamental financial ratios compare expenses and income for a specific time period. By analysing ratios, financial statements are interpreted toreveal a company's strengths and shortcomings as well as its past performance and present financial situation.

5. Operation Research Technique: Operations research is one of the most important toolkits available to decision-makers. An Operation research (OR) is a decision-making process that uses quantitative methodologies in a practical way. When employing these methods, the decision- maker applies mathematical, logical, or scientific methods to arrive at practical solutions to issues.Over time, a number of OR methods have been created.

6. Linear Programming: A quantitative method for making decisions is linear programming. It entails choosing the best way to allocate an organization's limited or scarce resources in order to accomplish a specific goal. The term "linear" denotes a proportional relationship between variousfactors.

The term "programming" refers to the creation of a particular mathematical model to optimise results when resources are limited. This method can only be used in situations where

there are twoor more activities vying for the same few resources and where all interactions are linear.

The following are some instances of managerial decision-making where the technique of linear programming can be used:
i. Choices about the product mix

ii. Determining the ideal operational scale

iii. Issues with inventory control

iv. Distribution of limited resources in the face of unpredictable demand

v. Planning the upkeep of production facilities.

7. Wait-Line Method: This operations research approach balances the services offered and the waiting lists using a mathematical algorithm. When the demand for a service exceeds the capacityof the service facilities, waiting lines (also known as queuing) develop.
Since demand and supply cannot be perfectly balanced, either there will be an excessive amount of demand for the service and consumers will have to wait, or there may not be any clients at all for the business to serve (excess supply).

Customers may become irritated if they must wait for a long time in a lengthy line. This can costthe business clients. On the other hand, since the expense of idle service facilities must be paid bythe company, it may not be practical for the corporation to maintain facilities to give quick servicealways.

The company must consequently find a balance between the two. The queuing method aids in improving customer service based on numerical standards. However, it does not by itself resolvethe issue; rather, it just offers crucial information for making decisions. It frequently takes sophisticated statistical and mathematical understanding to develop queuing models.

8. Game Theory: This methodical, complex process helps rivals to choose logical approaches toachieving objectives. Game theory offers a wealth of insightful perspectives on competitive situations. This method of decision-making entails choosing the optimum course of action while taking into account one's own actions and those of one's competitors. The main goal of game theory is to create logical standards for choosing a course of action. It is predicated on the premise that each participant (a rival) in the game (a scenario requiring a decision) is entirely logical and aims to win the game.

9. Simulation: This method entails creating a model that simulates an actual or existing system. Simulation is helpful for tackling complex issues that other methods find difficult to resolve. Computers have been widely employed for simulation in recent years. The model incorporates themany factors and how they interact.

A set of outputs are produced when the model is computer-programmed. Simulation approaches are helpful for comparing options and choosing the best one. The development

of pricing strategies, distribution strategies, resource allocation, logistics, etc. can all be accomplished through simulation.

10. **Decision Tree:** This is an intriguing tool for decision analysis. An advanced mathematical tool called a decision tree enables a decision-maker to weigh numerous potential actions and choose the optimal one. A decision tree is a visual representation of potential future outcomes and associated risks for various courses of action.

Using this method, the decision-•maker navigates the tree diagram along the best path. The "decision point" or base of the tree diagram is symbolised by a square. The decision point is followed by two or more random events. A branch of the decision tree is a random event, which is symbolised by a circle. Every chance occurrence has two or more potential consequences, which influences decisions later

An example of the decision tree can be provided. If a business anticipates an increase in demand for its products, it has two options for responding to the demand:
(a) Installing new equipment,

(b) Adding a second shift.

5.14 LET'S SUM UP

Planning has a primacy over other management functions and is a pervasive element in organizations. It involves the major activities such as setting objectives, determining policies and making decisions. Planning is a higher order mental process requiring the use of intellectual faculties, imagination, foresight and sound judgment. By planning managers minimize uncertainty and help focus the sight of their organization on its goals.
Decision making is a process of selection, which aim to result a best alternative. It aims to achieve the objectives of the organization. Decision making is a mental process, because the final selection is made after a thorough consideration. It involves certain kind commitments on the part of the organizational members.

5.15 KEY TERMS

Planning: Planning is the process of deciding in advance what is to be done, who is to do it, how it is to be done and when it is to be done.
Planning Premises: It refers to the assumptions made by the planner regarding the environmental changes to plan for the future.
Planning Process: It involves various steps included in undertaking the entire planning activity in an organization

5.16   SELF-ASSESSMENT QUESTIONS

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

2.   "Planning involves a choice between alternative courses of action". Comment briefly.

3.   Describe in detail the steps involved in the planning process.

4.   What is decision-making? What are its basic characteristics?

5.   "Decision-making is the primary task of the manager". Discuss and explain the scientificprocess of decision-making

5.17   MODEL QUESTIONS

1.   Discuss why planning is an important function of management. Who does planningcontribute towards the betterment of the organizations?

2.   Explain the nature, characteristics and importance of planning in management.

3.   Identify the benefits and limitations of planning.

4.   Define decision-making. What are its characteristics?

5.   "Almost every position in any business is a decisional centre." Do you agree? Give reasonswith examples.

6.   Discuss the various types of business decisions. Identify only type that you consider to bemost important.

5.18   FURTHER READINGS

- Koontz & O'Donnell, Principles of Management.

- J.S. Chandan, Management Concepts and Strategies.

- Arun Kumar and R. Sharma, Principles of Business Management.

- Sherlerkar and Sherlerkar, Principles of Management

- B.P. Singh, Business Management and Organizations

UNIT-6: STRATEGIC PLANNING AND FORECASTING

Structure:

LEARNING OBJECTIVES

After reading this unit you will able to know:
- The Meaning and Concept of Strategic Planning
- The benefits and limitations of Planning
- Process or Steps of Strategic Planning
- Role of Strategy in an organisation
- Meaning and Concept of Forecasting
- Benefits and limitations of Forecasting
- Process of Forecasting
- Role of Forecasting
- Techniques/Methods of Forecasting
- Difference between Forecasting and Planning

6.1 MEANING & DEFINITION OF STRATEGIC PLANNING

Strategic planning refers to the process of defining the strategy for the organisation and allocating its resources for the perusal of the strategy. Strategic plan is a statement of how the organisation is going to achieve its mission and objectives. A strategic plan takes into consideration the entire organizational resources and helps diverts them towards the most productive uses in the most efficient manner. Strategic planning is a process in which organizational leaders determine their vision for the future as well as identify their goals and objectives for the organization. Strategic planning is important to an organization because it provides a sense of direction and outlines measurable goals. Strategic planning is a tool that is

useful for guiding day-to-day decisions and also for evaluating progress and changing approaches when moving forward.

6.2 FEATURES OF STRATEGIC PLANNING

Strategic plan is a course of action defined for a particular point of time. The features of strategic plan are as follows:

- Strategic planning is an important aspect of strategic management.
- Strategic planning provides direction to the enterprise.
- It is pervasive and required at all levels and formulated by top management.
- The plan is aimed to achieve specific goals and objectives of an organisation.
- Ensures efficient allocation of organizational resources for management.
- The plan allocates resources for achievement of organizational goals within specified time period.
- It guides the organisation towards its mission and vision.
- The plan is based on the organization 's internal & external environment.
- Strategic Plans are formulated for a period of three to five years, basically for a short span of time.
- The purpose of the plan is to enable the organization capitalize on its strengths, while minimizing its weaknesses, and to take advantage of opportunities and defend against threats (SWOT).

6.3 STRATEGIC PLANNING PROCESS

A strategic planning process is designed to run businesses in the right direction and promote the exchange of useful ideas between people with similar goals. Strategic planning is an important tool to guide the activities of any organisation. It will focus on maintaining long-term vision of the organization's mission and purpose, and aid decisions about the allocation of human and financial resources. The strategic planning process is essentially a list of steps that managers should follow to implement a strategy within a company. Strategic analysis, strategy formulation, implementation and monitoring etc. are some of the components in the strategic planning process.

Strategic planning involves an orderly sequence of activities and involves the following steps:

- Identify your strategic positions: In order to achieve our goals first off all we should have a clear vision. This is the first stage of strategic planning process. 24 Whenever we identify our strategic position, our goal should be realistic and measurable.
- Gather people and information: After establishing the strategic position the next step is to bring the people who are under planning process. Once you have successfully identified your people and information to draw from, examine any internal or external issues that could possibly affect your objectives.

Perform a SWOT Analysis: SWOT stands for strength, weakness, opportunity & Threat. To identify the strengths and weaknesses of business, as well as identify any opportunities and

threats that could arise, a SWOT analysis is often performed. This analysis can also lead you in the right direction and towards your goals. SWOT analysis plays an important part in the process of strategic planning. It provides information that helps in synchronizing the firm's resources and capabilities with the competitive environment in which the firm operates. It gives an all-round view of the present and forward-looking situation of a business.

(Image Source : https://www.zoho.com/)

Formulate your Strategic Plan: Once you have successfully identified your strategic position and have a set of goals that line up with your company's mission and vision you can start working on your strategic plan.

- Execute your Strategic Plan: This stage is the action phase in the strategic planning process. After the formulating strategic plans, now it is ready to implement.
- Constantly Monitor Performance: Strategic position and a set of goals that are in order with your company's mission, you can start working on your strategic plan. Constant monitoring, managing performance and making adjustments in the components that are not leads to satisfactory results. It is also important to grasp those involved in the strategic planning process liable for their assigned tasks.

6.4 LEVELS OF STRATEGY

Strategy can be formulated at different levels i.e., the corporate level, the business level, and the functional level. At the corporate level, strategy is formulated for the organization as a whole. Corporate strategy deals with decisions related to various business areas in which the firm operates and competes among various competitors in the market. Strategy is formulated to convert the corporate vision into reality, at the business unit level. At the functional level, strategy is formulated to realize the business unit level goals and objectives using the strengths and capabilities of the organization.

Corporate Level: Corporate level strategy occupies the highest level of strategic decision

making in a business. Corporate level strategy defines the business areas in which your firm will operate its activities. It deals with lining up the resource deployments across a diverse set of business areas, related or unrelated. Strategy formulation at this level involves integrating and managing the diverse businesses and realizing synergy at the corporate level. The top management involves in formulating strategies, that's why those persons are responsible for formulating the corporate strategy. The corporate strategy reflects the on the way toward attaining the vision of your organization.

Business Level: Business level strategy is applicable in those organisations which have different business and each business are treated as a strategic business unit. Business level strategies are formulated for specific strategic business units and relate to a distinct product-market area. The competitive position of a strategic business unit is define though this . The business level strategy formulation is based upon cost leadership, differentiation, and focus.

Functional Level: Functional level strategies relate to the different functional areas which a strategic business unit has, such as marketing, production and operations, finance, and human resources. These strategies are formulated by the functional heads along with their teams and are aligned with the business level strategies. The strategies at the functional level involves setting up short-term functional objectives, the attainment of which will lead to the realization of the business level strategy.

6.5 ROLE OF STRATEGY

Framework for operational Planning:

If strategies are developed carefully and understood properly by managers, they provide a more consistent framework for operational planning. If this consistency exists and applied, there would be deployment of organisational resources in those areas where they find better use. Strategies defines the business area both in terms of customers and geographical areas served. Better the definition of these areas, the better will be the deployment of resources.

Clarity In Direction of Activities

Strategy focus on direction of the activities by specifying what activities are to be undertaken for achieving organisational objectives. They the objectives clearer and more specific. For example, a business organisation may define its objective as profit earning or a non-business organisation may define its objective social objective. But the definitions are too broad for putting them operation. They are better spelled by strategies which focus on operational objectives and make them more practical.

To Increase Organisational Effectiveness: Strategies ensure organisational effectiveness in several ways. The concept of effectiveness is that the organisation is able to achieve the objectives within the available resources. So, for effectiveness the resources should ensure their contribution towards the organisation. Therefore, each resource of the organisation has

a specific use at a particular time. If this is done, the organisation will achieve effectiveness.

Personnel Satisfaction

Strategy provides satisfaction to the personnel of the organisation. In an organisation where formal strategic management process is followed, people are more satisfied by definite prescription of their roles thereby reducing role conflict and role ambiguity. If the decisions are systematized in an organisation, everyone knows how to proceed, how to contribute towards organisational objectives.

6.6 FORMULATION OF STRATEGY

Strategy formulation refers to the process of choosing the most appropriate course of action for the realization of organizational goals and objectives and thereby achieving the organizational vision.

Setting Organizations' objectives - The key component of any strategy statement is to set the long-term objectives of the organization. It is known that strategy is generally a medium for realization of organizational objectives. Objectives stress the state of being there whereas Strategy stresses upon the process of reaching there.

Evaluating the Organizational Environment - The next step is to evaluate the general economic and industrial environment in which the organization operates. This includes a review of the organizations competitive position. It is essential to conduct a qualitative and quantitative review of an organization's existing product line.

Setting Quantitative Targets - In this step, an organization must practically fix the quantitative target values for some of the organizational objectives. The idea behind this is to compare with long term customers, so as to evaluate the contribution that might be made by various product zones or operating departments.

Aiming in context with the divisional plans - In this step, the contributions made by each department or division or product category within the organization is identified and accordingly strategic planning is done for each sub-unit. This requires a careful analysis of macroeconomic trends.

Performance Analysis - Performance analysis includes discovering and analyzing the gap between the planned or desired performance. A critical evaluation of the organizations past performance, present condition and the desired future conditions must be done by the organization. This critical evaluation identifies the degree of gap that persists between the actual reality and the long-term aspirations of the organization. An attempt is made by the organization to estimate its probable future condition if the current trends persist.

Choice of Strategy - This is the ultimate step in Strategy Formulation. The best course of action is actually chosen after considering organizational goals, organizational strengths, potential and limitations as well as the external opportunities.

6.7 BENEFITS OF STRATEGIC PLANNING

Improves in decision making: Strategic Planning makes the management of an organization easier by providing a framework for decision-making and action. It helps to identify and address the key issues.

Uniform vision & Clarity of objectives: Strategic Planning establishes a uniform vision and thus directs all the efforts in the same direction. The employees clearly understand what is required to be done, it creates clarity of objectives and thus create an increased level of commitment to the organization and its goals. It also serves as a motivating factor for the employees.

Judicious use of resources: Strategic Planning enables the optimum utilization of the organization's resources. It helps firm to utilize its strengths to tap the opportunities and thus perform to the best of its capabilities. It sets the priorities and directs the resources towards their efficient utilization.

Reduces Uncertainty: Strategic Planning reduces uncertainty by analysing the environment and thus increases the ability to deal with risks posed by the external environment.

6.8 LIMITATIONS OF STRATEGIC PLANNING:

Limitations of Strategic Planning although there are many advantages to strategic management, such as reducing the resistance to change and promoting collaboration, there are also disadvantages. The strategic management suffers from the following limitations:

Complex Process: Strategic management is a complex process since it involves continuous monitoring of the external and internal environments. Based on the changing environmental conditions the objectives and plans need to be revised. All components are interrelated, so a change in one component may affect others areas. For example, due to fall in demand of a particular product produced by the company because of some incident compels the revision its production plan.

Too much paper work, not enough clear thinking: Another limitation in planning is that too much emphasis is given to paper work rather than the thought process. Much of the time gets wastes in complying with such formalities.

No commitment from the top level: Success of plans depends on the commitment of the top level. If the top management does not take much interest in planning and implementation, plans could never become a success.

Time Consuming: Strategic planning is a time-consuming process. A lot of time of manager gets consumed in preparing, researching and communicating the strategic plans which may hinder the day-to-day operations and negatively impact the business.

Difficulty in Implementation: Implementation of strategic plans is a challenging task. It requires full attention, active participation, and accountability of all members of the

organization. A small loophole in its implementation may make it ineffective.

Insufficient emphasis on identifying key issues, opportunities and threats: The base of strategic planning is identifying the key issues that need to be stressed upon. If key issues could not be identified the whole activity remains unfruitful.

Uncertain future: Strategic Plans are formulated to achieve some objectives in the future. Anticipating future is a difficult process. SWOT analysis provides the basis for formulating plans. But future is uncertain. A simple happening could change the entire scenario.

6.9 MEANING OF FORECASTING

Every management has to make some predictions about the likely happening in the future in preparing plans of activities for the future. Future is difficult to be probed unless one knows the past happenings and how they are occurring presently. Thus, forecasting may be defined as the process of assessing the future by using calculations and projections that take account of the past performance, current trends, and anticipated changes in the period ahead.

6.10 FEATURES OF FORECASTING

The following features of forecasting emerged on the basis of the aforesaid definition:
1. Forecasting essentially relates to future probable events.
2. Forecasting is needed rather a base for planning because it devises the future course of action.
3. It explains the probability of future events. Therefore, the happening of future
events can only be precise to a certain extent.
4. Forecasting is made by analysing the past and present factors which are related to the functioning of an organisation.
5. The use of statistical and mathematical tools and techniques are required for the analysis of various factors or variables.

6.11 ROLE OF FORECASTING

Role of forecasting can be better understood if we know to what extent it helps the managers in their managerial activities. Forecasting plays its role in helping the managers in the following ways:
1. Basis of Planning: Forecasting is pivot to planning. The planning process is generated by it. While the future course of action is decided by planning, it is expected to take place under certain circumstances and conditions. Unless these conditions are known, planning would be futile.
2. Promotion of Organization: Performance of certain activities, is the key to the achievement of organisational objectives. What activities should be performed depends entirely on the expected outcome of these activities. As expected outcome depends on future events vis a vis the way of performing various activities, forecasting of events is of direct relevance in achieving organisational objectives.

3. Facilitating Co-ordination and Control: For effective co-ordination and control, forecasting indirectly provides the ways. Forecasting requires information about various factors. Information is collected from various internal and external sources, which are also utilised for coordinating and controlling various activities of the organisation.

4. Success in Organisation: Risk is the common character of all business enterprises. Business has to bear it and has to work within the ups and downs of the industry. The degree of risk depends on the future happenings. This problem of uncertainties can be overcome to a great extent by forecasting.

5. Though forecasting cannot evade the future happenings, it provides sufficient inputs about those and indicates what alternative actions should be taken. Managers can save a great deal of their time and money if they know in advance what is going to happen.

6.12 PROCESS OF FORECASTING

The process of forecasting generally involves and pass through the following steps:

1. Setting the Objectives: The objectives of the forecasting are framed by taking in to consideration the purpose for which the forecasting is to be done and the period for which it is to be made should be decided at the very outset. The time period so considered is known as "TIME HORIZON".

2. Selection of Method: The best suitable method or methods of Forecasting are chosen to ensure that the method aligns with the purpose of the forecasting. Method plays an important role as forecasting is based on specific evidence and is determined using a particular technique or method.

3. Data Collection: Information or Data forms the foundation of any forecasting. Depending on the purpose and nature of forecasting, collection of data is undertaken, which may be primary or secondary.

4. Monitoring the Process: After running the data through the method or methods adopted as per the suitability, the results are monitored for analysis and desired corrective actions are initiated if deviations are observed.

6.13 TECHNIQUES/METHODS OF FORECASTING

There are various methods of forecasting however, no method can be suggested as universally applicable. In Practice, majority of the forecasts are made by combining different methods. A brief explanation of the poplar methods of forecasting, is given below:

1. Historical Analogy Method: Under this method, forecast in regard to a particular situation is based on some similar conditions elsewhere in the past. For example, the economic situation of a country 'A' can be forecasted by making comparison with any advanced country say 'B' at a particular stage through which country 'A' is presently passing. Thus, based on analogy, a

general forecast can be made.

2. Survey Method: This method is highly popular in general and Market research in particular. It is conducted to gather information on the intentions of the concerned people. For example, information may be collected through surveys about the preference of consumers on various cosmetic items. Both quantitative and qualitative information may be gathered by this method for forecasting.

3. Opinion Poll: Opinion poll is conducted, as the name suggests, to assess the opinion of experts in the particular field, whose views carry a lot of weight. For example, opinion polls are highly popular to predict the outcome of election results in many countries including India.

4. Business Barometers: Barometer is used to measure the atmospheric pressure. In the same sense, index numbers are used to measure the state of an economy between two or more periods. An index number is the measure of change in a variable 0r variables over time. It is a kind of representative number.

5. Time Series Analysis: This method involves decomposition of historical series into its various components like trend, seasonal variances, cyclical variations, and random variances. When the components are separated, the variation of a particular situation can be known over the period of time and forecasting is made about the future trend through suitable projections.

6. Regression Analysis: Regression analysis is a statistical technique used to describe relationships among variables. It is meant to disclose the relative movements of two or more inter-related series. It is used to estimate the changes in one variable as a result of specified changes in other variable or variables. In economic situations, business activities are affected by a number of factors simultaneously.

7. Input-Output Analysis: Under this method, a forecast of output is made based on given input if relationship between input and output is known. Accordingly, with a given input-output relationship, input requirement can be forecasted on the basis of final output.

6.14 DIFFERENCE BETWEEN PLANNING AND FORECASTING

Even though Planning and Forecasting can be termed as Siamese twins, both the terms are having different connotations.

1. While, planning is the process relating to the future course of action, forecasting is prediction of future performance of the organization on the basis of past as well as present performance and relevant information.

2. Forecasting is done by different levels of experts, economists or analysts engaged by the management. Planning is done by top management to formulate plans for the organization with an eye on its objectives.

3. Planning is based on information, objectives and relevant forecast. But, forecasting is based on an assumption, postulation and certain degree of guess.

6.15 LET US SUM UP

Strategic Planning is about allocating resources to achieve the mission. Strategic planning set priorities, focus energy and resources and strengthen the operations. It provides direction to the enterprise. For strategic planning, SWOT analysis is done. The analysis of the internal and the external environment provides a base for the development of the mission and vision statements. After that Goals and objectives are defined clearly and the plan of action is formulated. This plan of action is then implemented and continuously monitored and reviewed. Effective planning requires commitment from the top level. Planning is the first and foremost function management and precede all actions. likewise planning also follows some sort of forecasting. Forecasting is comprehension of a future stage or position of the organisation based on certain past events. It is a kind of projection of future, which is undertaken by experts by adopting various methods. Even though forecasting cannot be a substitute of planning, it will definitely remain as a formidable base for planning. Though both the terms are different, they are complementary to each other.

6.16 FURTHER READINGS

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4. James A F Stoner ,Edward Freeman and Gilbert, "Management", 6th Edition,
5. Pearson Education, 1995./ Prentice Hall of India Pvt. Ltd., 2007.
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6.17 MODEL QUESTIONS

Q.1- Discuss the Concept of Strategy.

Q.2- Explain the different levels at which strategies operate.

Q.3- What do you mean by strategic planning? Why is it gaining importance?

Q.4- Discuss in detail the process of strategic planning.

Q.5- What are the pros and cons of strategic planning?

Q.6- Discuss the process of strategy formulation and implementation.

Q.7- What is the role of strategy in a business organisation?

1.Discuss why planning is an important function of management. Who does planning contribute towards the betterment of the organizations

2. Explain the nature, characteristics and importance of planning in management.

3. Identify the benefits and limitations of planning.

UNIT-7 ORGANISING: CONCEPT AND MODELS

STRUCTURE

LEARNING OBJECTIVES

After completion of the unit, you should be able to:

- Explain the meaning, concept and definition of Organising.

- Describe the principles of Organising.

- Importance of Organising.

- Describe the Organisational Structure.

- Also understand whether management is a science or an art or a profession.

7.1 INTRODUCTION

The next phase is to coordinate the enterprise's activities with a view to putting the plan into actionand achieving the organisational goals once the general and specific objectives have beenestablished and a method for achieving them has been specified. The management must decide which tasks must be completed in order to achieve the goals, organise these tasks, and assign themto the departments.

To enable a manager to lead his team members in achieving the goals of the organisation, each department is allocated to someone with the necessary qualifications, intelligence, and capability.

The most efficient use of all the resources available to the company will be made possible by proper structure. With the expansion of the business unit, there is a greater requirement for

adequate structure. As his business expands from a small business with a core of a few essential employees, more delegating and a huge number of managers are needed.

7.2 MEANING AND DEFINITION

The process of performing a managerial task is referred to as "organising." Studying organisational structure enables one to identify key elements of an organization's anatomy and toanalyse the similarities and differences between other organisations. There are two possible applications for the word "Organization."
As follows:

To a certain business or team of people who collaborate to achieve specific aims or objectives. It is mentioned in the name of the company, such as Tata Consultancy Services, Royal Industries, etc.

To the group of people within the organisation as a structure or network of particular connections.
By "the development of authority relationships with provision for coordination between them, both vertically and horizontally in the organisational structure," Koontz and O'Donnell describe organising.

Organizing, according to Louis A. Allen, is the "process of identifying and grouping the work to be accomplished, defining and delegating responsibility and authority, and forming connections with the aim of enabling people to work most effectively together in completing objectives."

7.3 PROCESS OF ORGANISING

The fundamental activity that links all the resources and activities in a methodical and logical order is organisation. It includes several actions taken to accomplish corporate objectives. We willnow go into more depth about those steps:

a) **Work identification and division:** The organising process starts with work identificationand work division in accordance with the plans. To prevent duplication, the work is essentially divided into small tasks, and sharing is encouraged.

b) **Departmentalization:** After dividing the job into various activities, the tasks that share acommon characteristic are gathered together. Departmentalization is the process that enables specialisation and lays the groundwork for the development of departments.

c) **Task assignment:** Following the creation of departments, personnel are assigned to various departments under the supervision of a manager known as a departmental manager. Following that, positions are assigned to people based on their abilities, credentials, and competencies. The management must make sure that the incumbent and the position are a good fit for each other, or that the correct individual is assigned to the right position, in order for the performance to be effective.

d) **Establishing an organisational hierarchy** is important because it ensures that everyone knows who to report to and who has authority to deliver commands. Therefore, it is important to establish defined working relationships, which aids in the development of anorganisational hierarchy.

e) **Provision of resources to the members:** Resources that are made available to the members include those that are necessary for the organization's daily activities, such as money, equipment, supplies, and other items.

f) **Coordination of efforts and activity scheduling:** The final phase in this process is the logical and methodical coordination of efforts and activity scheduling to ensure that the shared objectives may be successfully attained.

7.4 IMPORTANCE OF ORGANISING

The importance of organisation could be highlighted by references to the role it plays in theenterprise life; considered in the following analytical manner;
(i) Basic role of the organisation

(ii) Other aspects of role

Let us consider the role of the organisation as planned above: -

(i)   Basic role of the organisation

The basic role of the organisation could be expressed by comparing it to a vehicle; which isdevised and designed for the attainment of the enterprise objectives. Just as with the help of a vehicle a person is enabled to reach up to his/her destination; in a similarmanner, a group of persons (comprised in the enterprise) is made in a position to reach their destination i.e. the attainment of common objectives via vehicle of the organisation.

In fact, for the attainment of enterprise objectives, action of individuals, comprised in a group activity, is necessary; and undertaking such action is facilitated in a planned and systematic manner by the organisation structure i.e., the organisation.

(ii) Other aspects of the role

Some important aspects of the role of the organisation could be stated as follows.

i.   **Facilities specialisation**

An organisation exists basically to take care of and implement –the division of work are of various types-among managers, subordinates and operator's. Such division of work, leading to specialisation in various spheres, is instrumental in bringing about increased human efficiency in the organisational functioning.

Point of comment

Division of work, not only enable an enterprise to take advantages of specialisation, in managerialand operational work; it also makes for an order and system, in the functioning of theorganisation.

(i) Avoids omissions, overlapping and duplication of efforts

While dividing work among departments and individuals, during the process of organising, care is exercised by management to see that-

    a. No part of work, necessary for attainment of objectives, is lost sight of

    b. There is no overlapping or duplication of activities and effort, while assigning workto individuals and departments.

That way, the organisation leads to an economical, effective and efficient functioning of theenterprise.

(ii) Defines (or clarifies) authority –responsibility relationship

An organisational structure defines and clarifies, authority responsibility relationship among managers and subordinates in the enterprise-all through-horizontally and vertically.

Such clarification of authority responsibility relationship not only means a smooth functioning of the organisational life, but also promotes good human relations, in the organisation-through facilitating mutual understanding of one another.

(iii) Facilitates staffing

The organisational structure is a great ad to efficient. It, by clearly defining various organisation positions-managerial –managerial and operational, not only point out to the need for appropriate personnel who must man these positions; but also specifies the requirements to be sought after in various personnel-in terms of the abilities and skill needed to perform those jobs.

Point of comment

A well-defined organisational structure facilitates personnel development, especially of managers, by an allowing job-rotation system. Top management can restart to job rotational technique, as the requirements of jobs defined in the structure indicate the possibility or otherwise for taking anappropriate decision on matters of shifting among different positions.

(iv)   Provides for co-coordination

An organisation facilitates co-ordination: as the latter is provided for in thestructure of organisation –as an in- built device.

Needless to say, that a well-designed and defined organisational structure providesfor thorough co-ordination-horizontally and vertically; and enables management torelish the essence of manager ship and take the enterprise to the heights of success.

(v)   Establishes channels of communication

Communication among the personnel in the enterprise, is not only the basis of the operational life of the organisation; but also is instrument in fostering good human relationship-through creating a base for mutual understanding.

An organisational structure helps to establish various channels of communications; relating people to one another through the scalar chain and other organisational links. But for the organisation, communication could only be casual, erratic and least authentic or there could be a situation of an absolute communication gap.

(vii) Facilitates 'Management by Exception'

Management by exception is a philosophy in which the top management would concentrate only on exceptional or critical matters (like strategy formulation, policy – making, controlling significant deviations in performance by personnel etc.); leaving the rest of routine and operational matters to subordinates throughout the enterprise.

Such a system of management i.e. management by exception could not be initiated and installed in the enterprise, just casually or a sudden; rather a sound organisationalstructure paves the way and creates an environment for the introduction of this philosophy in a gradual and systematic matter .as a matter of fact, matter. As a matterof fact, management by exception is nothing, but the highest state of decentralisation ofauthority; and the latter could be provided for while designing and structuring theorganisation.

(viii) Copes with environmental changes:

Environmental changes being reflected in conditions like –super fast changing technology, accentuating competition, emerging latest social and cultural values, extending state regulation of trade and industry etc.- are well taken care of by a sound organisation. The organisation could, of course, face such challenges; by resorting to changes in the systems of management styles, reorganization of departments, providing facilities for research and development and effecting improvements in the operational life and undertaking other like measures.

(ix) Leads to growth and expansion

A sound organisation leads an enterprise along growth lines. Growth and expansion of the enterprise, which is imperative even for survival in a highly dynamic economy; is much facilitated by the organisation through-creating more departments, enlarging existing departments, widening span of management, providing for better and more effective co-ordination and communication devices- and all this tasking place within the existing system, structure and functioning of the enterprise.

(x) Produces synergism

A sound organisation through ensuring effective integration of departmental

functioning, helps the enterprise to take advantage of the synergy feature of the business system. The more compact and responsible is the organisational structure; the more would be the advantages of the synergy effect.

7.5 PRINCIPLES OF ORGANISING

Principles of organisation, for sake of clarity of discussion and a batter computer of those havebeen classified in the following manner.

(I) Overall Principles

(i)   Principle of unity of objective

(ii)   Principle of Simplicity

(iii) Principle of Flexibility

(II)   Structural principles

(iv)   Principle of division of work

(v)   Principle of function definition

(vi)   Principle of optimum depart mentation

(vii)   Principle of unity of direction

(viii)   Span of management principle

(III) Operational Principles

(i) Principle of adequate delegation

(ii) Scalar chain principle

(iii) Authority –level principle

Following is a brief comment on each of the above –stated principles of organisation underappropriate categories:

(I) Overall principles

Under this classification, some of the very fundamental principles of organisation included i.e principles which are absolutely essential for an effective and logical functioning of the organisation .A brief explanation of the principle, under this category is as follows:

(i) Principle of unity of objective

Very simply stated, this principle requires that individual and departmental objectives thoughout the enterprise must be perfectly harmonized: and that all objectives must be mutually supportive and collectively contributing to overall common objectives.

(ii) Principle of simplicity

The observance of this principle requires that the management must, as possible, design a simple organisational structure .A simple structure facilitates a better understanding of superior- subordinate relationship: and provide background for better co-operation among people.

(iii) Principle of flexibility

While designing the organisational structure, the management must provide for in-built devices within the structure itself, which would facilitate changes in the organisational structure to be effected as and when environmental factors-internal and/ or external –so demand.

(II) Structure Principles

Structural principles of organisation relate to those aspects of the organisation; which have a bearing on the structuring (or the development) of the organisation: its fundamental design and shape .Some of the important principles, in this context, might be the following ones:

(iv) Principle of division of work

Since the work of the enterprise cannot be performed by only one person; it is imperative that such work must be suitably divided among a number of person .In fact the total managerial work ought to be divided among a number of managers; and the total operational work being division among a number of operation personnel.

(v) Principle of functional definition

The above state principle implies that the role (or job) of each individual and of each department of the enterprise must be suitably defined, in terms of the –work content, the authority and facilities required for job performance and the relationship of the job with those of others, in the enterprise.

(vi) Principle of optimum departmentation

There are many ways and bases for creating departments within an organisation. According to the principle of optimum departmentation, departments in an organisation must be so created and maintained –as to facilitate the best attainment of the common objectives of the enterprise.

(vii) Principle of unity of direction

This principle implies that each group of activities having the same objective must have only one overall head and only one overall or master plan. As a principle of organisational, this concept of unity of direction must be so embedded in designing the organisational structure that for each group of similar activities ,there is a provision for only one overall head-having authority over all personal performing the same function, anywhere, in the organisation.

(viii) Span of management principle

The span of management principle is variously called as – the span of control or the span of supervision. However, the phrase "span of management ' is the widest; including also

the notions of span of control and span of supervision.

The span of management principle implies that is a limit to the number of subordinates; whosework could be effectively managed (controlled or supervised) by a superior.

Points of comment

Certain useful observations in the context of span of management principle, could be made as under: -
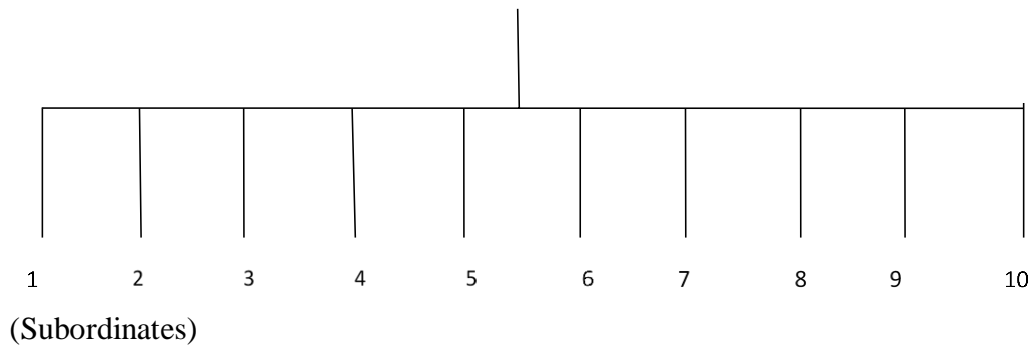
a) There is a limit only to effective management; for ineffective or inefficient management, well there is no limit. **Hence, span of management principle is valid only in the context of effective management.** An example would illustrate the significance of this idea. For example, in a school or college class-room .the number of students must be limited; as noteacher, howsoever competent, could effectively impart learning to an indefinite number of pupil's .As against this situation, and take the case of a public speaker who could well address giant gathering of audience; for there in, it does not matter whether and how far the audience is receptive to the speech of the speaker or how effective is the process of communication between the speaker and the audience .In this latter case, span of management principle is neither valid nor applicable.

b) What exactly is or must be the number of subordinates under once superior, cannot be asserted with precision or certainty; as the span of management principle is situational.
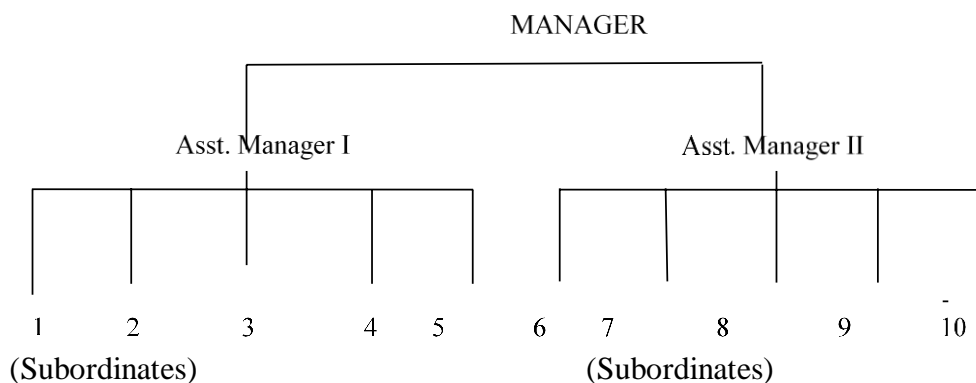
There is no hard and fast number of subordinates which would determine an optimum span of management under all managerial situations. Among other factors, the competenceof the superior and the abilities, skills and requirements of subordinate, are the most dominating factors- likely to determine span of management, in a particular managerial situation.

c) Span of management principle explains the raison deter for the structure of the organisation; in case otherwise, a single manager might be in a position to handle and manage the work of all the subordinates; and there would not be any need for a structuredorganisational structure.

d) Span of management principle has much to do with the shape of the organisational structure; i. e whether it would b a tall or a flat –organisational structure. This is the notionimplied behind the concepts of narrow vs. wide spans of management. A narrow span of management is one where a superior can handle rather a smaller number of subordinates;while in a wide span of management, the number of subordinates is "large 'than manageable under a narrow span of management. Accordingly, a narrow span of management would result in a somewhat taller shape of the organisation; and a wide spanof management would lead to a comparatively 'flat" organisational structure. Let us take ahypothetical example to illustrate how a 'tall 'or a "flat' organisational structure would shape out- depending on whether it is a narrow or a wide span of management. Suppose in an enterprise there are 10 subordinates to manage by the management. Further suppose the span of management is also 10. In this situation, only one management would be required to handle and manage the work of all the subordinates.

The organisational structure would appear as follows:

```
                                    |
    _____
   |    |    |    |    |    |    |    |    |    |
   |    |    |    |    |    |    |    |    |    |
   1    2    3    4    5    6    7    8    9    10
```

(Subordinates)

Now, suppose the span of management is only 5. In this case, the manager would be aided by two assistant managers; and controlling 10 subordinates via two assistants-each assistant manager managing the work of 5 subordinate. The organisational structure, in this case would look like somewhat taller than its counterpart under wide span; and will have more layers of the organisation. The following chart illustrates this concept.

```
                              MANAGER
                 _____|_____
                |                                 |
           Asst. Manager I                  Asst. Manager II
        _____|_____              _____|_____
       |   |   |   |   |                |   |   |   |   |
       1   2   3   4   5                6   7   8   9   10
```

(Subordinates)   (Subordinates)

Without going into the details of the discussion, it would suffice to say that the shape of the organisational structure-tall or flat has implications for organisation efficiency on grounds of costsof administration, effectiveness of communication and facilities in coordination.

(III)   Operational Principles

Operational Principles of organisation could be suggested to be those which have a bearing on therunning or functioning of the organisation. Some important principle, under this category, are as follows:

(ix)   Principle of adequate delegation

By the principle of adequate delegation, we mean that each managerial position be providedwith adequate (or necessary or requisite) authority –to enable the holder of the position i.e., the manager to cope successfully with the requirements of his job.

(x) Scalar chain principle

Scalar chain implies a chain of superiors –ranging from the highest rank to the lowest rank -in an organisation.

The scalar chain forms the base of authority –responsibility relationship among managers and sub-ordinates, in the organisation; thus promoting mutual understanding among superiors andsubordinates at different levels of the organisation.

As a principle of organisation scalar principle requires its incorporation into the designof the organisation –for ensuring smooth running of the enterprise life.

(xi)   Principle of unity of command

The above –sated principle implies that an employee must receive orders and instructions, only from one superior at a time.

The observance of this principle is desirable for reasons of removing doubts and confusions from the mind of the employees; and for facilitating exact fixation of responsibility on individuals for the result expected of them.

(xii)   The authority –level principle

The authority –level principle implies that manager at particular levels in the management hierarchy must decide only those matters which fall within the purview of the authority vested in their managerial positions.

A natural extension of this principle is that if a manager at any level of the management hierarchy comes across a matter not covered by his authority; the matter must either be referred upwards in the hierarchy or pushed down the hierarchy at the appropriate level for decision.

7.6 ORGANISATIONAL STRUCTURE

An organisation is a social unit of people that is planned and run to accomplish common objectives. Organizations are thus open systems that are significantly influenced by the environment in which they function. Every organisation has a basic management structure that establishes and controls the interactions among the many employees, the tasks they do, and the roles, duties, and authority given to complete specific tasks.

A well-structured organisation provides efficient coordination because the structure defines formal communication channels and explains how individual actions are connected.

An organization's structure is highly influenced by its goals and the tactics it uses to achieve thosegoals.

The visual representation of this vertical structure is an organisational chart. Therefore, it is crucialthat an organisation use the utmost caution when developing the organisational structure. The flow

of authority and the reporting relationships should be clearly defined in the structure as this will encourage good communication and lead to an efficient and productive work process flow.

Management needs to think carefully about how they want to organise the company. Some of thecrucial elements that must be taken into account include:

1. **Organizational hierarchy:** A hierarchical organisational chart is the pyramid-shaped organisational chart that we previously mentioned. The chain of command runs from the top (such as the CEO or manager) to the bottom (such as entry-level and low-level employees), and every employee has a supervisor.

   Advantages:

   i.   Improved definitions of levels of duty and authority.

   ii.   Demonstrates to whom each individual reports or with whom to discuss particularinitiatives.

   iii. Provides employees with incentives including defined career routes and promotionopportunities.

   iv.   Assigns a speciality to each employee.

   v.   Builds comradely among staff members working in the same department.

   Disadvantages:

   i.   Can cause significant advances or innovation to be slowed down by added bureaucracy.

   ii.   Can lead workers to act in the department's best interests rather than the interestsof the whole business.

   iii. Can give lower-level workers the impression that they have less ownership and areunable to share their thoughts with the organisation.

2. **Functional Organisational Structure:** A functional organisational structure begins at thetop with the roles with the highest degrees of responsibility and descends from there, muchlike a hierarchical organisational structure does. However, personnel are mostly arranged in accordance with their unique skills and the relevant role inside the organisation. Each distinct department is run separately.

   Advantages:

   i.   allows workers to concentrate on their roles

   ii.   that promotes specialisation Encourage departments and teams to feel independent

   iii. Is simply saleable in businesses of any size.

   Disadvantages:

   i.   can result in organisational silos

   ii.   Communication across departments is hindered.

   iii. develops procedures and tactics for various markets or products inside a corporation

3. **Horizontal or Flat Organisational Structure:** Organizational structures that are horizontal or flat work well in businesses where there are few levels between higher

management and staff-level employees. Before they become large enough to create separate departments, many start-up enterprises adopt a horizontal organisational structure; nonetheless, some businesses continue to use this form since it promotes less oversight and greater employee involvement.

Advantages:

i. increases employee responsibility

ii. encourages improved communication

iii. enhances coordination and efficiency of putting fresh ideas into action

Disadvantages:

i. Can lead to confusion because there is no obvious supervisor for the staff to reportto.

ii. can result in workers with more diversified knowledge and skills

iii. Can be challenging to maintain once the business has grown past the start-up stage.

4. **Divisional Organisational Structure:** Divisions of a firm can manage their own resources in divisional organisational structures, effectively acting as independent businesses within the parent company. It is possible for each division to have its own marketing, sales, IT, etc. teams. This organisational structure is effective for big businessesbecause it allows different departments to take charge of their own decisions without having to answer to a small group of leaders.

There are a few variants to think about depending on your organization's purpose.

i. **Market-Based Divisional Organisational Structure:** Market, industry, and client type are used to separate divisions. A large consumer goods corporation, like Target or Walmart, might divide its divisions for food or logistics from those for durable products (clothing, electronics, furniture, etc.).

ii. **Product-based Divisional Structure:** Product lines are used to divide divisions. For instance, a tech corporation might have a section devoted to its cloud capabilities while the other divisions concentrate on the various software offerings, such as Adobe with its creative suite of Illustrator, Photoshop, InDesign, and otherprogrammes.

iii. **Geographic Divisional Organisational structure:** For better localization and logistics, divisions are divided by regions, territories, or districts. In order to maintain a tight relationship with their clients, businesses may open satellite officesacross the nation or the world.

5. **Matrix Organisational Structure:** Cross-functional teams that form for specific projects are displayed on a matrix organisational chart, which has a grid-like appearance. An engineer, for instance, could ordinarily be a part of the engineering department, which is overseen by an engineering director, but might work on a transient project (led by a projectmanager). Both of these positions and the reporting connections are shown in the matrix organisational chart.

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Advantages

  i.   enables managers to hire employees quickly based on a project's requirements

  ii.   Presents an organization's dynamic side.

  iii. Encourages staff to use their expertise in roles outside than their primary ones.

Disadvantages

  i.   demonstrates a disagreement between department managers and project managers

  ii.   can fluctuate more often than other forms of organisational charts

6. **Team Based Organisational Structure:** It should not come as a surprise that a team-based organisational structure divides up the workforce into (what else?) teams. A team organisational structure is intended to challenge the conventional hierarchy by emphasising cooperation, problem-solving, and providing employees more power.

    Advantages

  i.   Breaks through the silo mentality, boosting performance, transparency, and productivity.

  ii.   encouraging a growth mind-set

  iii. Encourages people to take lateral steps, which modifies conventional career models.

  iv.   prioritises experience over seniority

  v.   minimum management is necessary

  vi.   Fits in well with scrum or tiger teams in agile businesses.

    Disadvantages

  i. Goes against the natural tendency for many firms to have a strictly hierarchicalstructure.

  ii. Could make employees' paths to promotions less obvious.

7. **Network Organisational Structure:** Few firms today offer all of their services under one roof, making it challenging to manage the many vendors, subcontractors, freelancers, off-site sites, and satellite offices. The distribution of resources makes sense with a network organisational structure. It can also be used to describe a hierarchical organisational structure that prioritises connections and open communication.

    Advantages

  i.   Depicts the intricate network of onsite and offsite links in businesses.

  ii.   Enables businesses to be more adaptable and agile.

  iii. Increase the authority of all staff members to work together, take initiative, andmake decisions.

  iv.   Aids stakeholders and employees in understanding workflows and processes.

Disadvantages

i. When dealing with numerous offsite procedures, might easily become excessivelycomplex.

ii. Can make it harder for workers to understand who has the final say.

7.7 LET'S SUM UP

The next phase is to coordinate the enterprise's activities with a view to putting the plan into actionand achieving the organisational goals once the general and specific objectives have been established and a method for achieving them has been specified. The management must decide which tasks must be completed in order to achieve the goals, organise these tasks, and assign themto the departments.

An organisation is a social unit of people that is planned and run to accomplish common objectives. Organizations are thus open systems that are significantly influenced by the environment in which they function. Every organisation has a basic management structure that establishes and controls the interactions among the many employees, the tasks they do, and the roles, duties, and authority given to complete specific tasks.

7.8 KEY TERMS

- **Departmentalization:** After dividing the job into various activities, the tasks that share acommon characteristic are gathered together. Departmentalization is the process that enables specialisation and lays the groundwork for the development of departments.

- **Span of management principle:** The span of management principle is variously called as

  – the span of control or the span of supervision. However, the phrase "span of management' is the widest; including also the notions of span of control and span of supervision. The span of management principle implies that is a limit to the number of subordinates; whosework could be effectively managed (controlled or supervised) by a superior.

7.9 SELF-ASSESSMENT QUESTIONS

1. What do you mean by Organising? What are its importance?

2. Explain the process of Organising.

3. What do you mean by organising? What are it principles?

4. Explain the Organisational Structure.

7.10 FURTHER READING

- Kootnz & O'Donnell, Principles of Management.

- L. M. Prasad, Principles and Practice of Management.

- J.S. Chandan, Management Concepts and Strategies.

- Arun Kumar and R. Sharma, Principles of Business Management.

- Sherlerkar and Sherlerkar, Principles of Management.

UNIT-8 : DELEGATION OF AUTHORITY

STRUCTURE

LEARNING OBJECTIVES

After completion of the unit, you should be able to:

- Explain the meaning, concept and definition of management.

- Describe scope and importance of management.

- Know the nature and characteristics of management.

- Also understand whether management is a science or an art or a profession

8.1 INTRODUCTION

All activities are not performed by one person. Every individual is only one, manpower. Single handed he can accomplish so little in a day. Only way to accomplish more is through sound and effective delegation. Authority should be provided to the subordinates too. Process of transferring

authority and creation of responsibility between superior and subordinates to accomplish a certaintask is called delegation of authority. It can take place without decentralization. It can be withdrawn by delegator at any time. It minimizes the burden of managers of unit, departments or plant. Relationship is between superior and immediate subordinates are indicated. It is technique of management used to get the things done through others. It is confined to manager and subordinates. Authority is only delegated, not responsibilities. Very important to management process Control remains in hand of superior who supervise the activities of subordinates. It is an art of management science. When authority is not given to subordinates there is no performance.Delegation is the process of sharing authority; power and work (deliver the power from one personto another or one level to another level).

8.2   DEFINITIONS

It is necessary to have brief understanding of three terms intimately connected with the concept and process of delegation.

Responsibility

Responsibility indicates the duty assigned to a position. The person holding the position has to perform the duty assigned. It is his responsibility. The term responsibility is often referred to as an obligation to perform a particular task assigned to a subordinate. In an organisation, responsibility is the duty as per the guidelines issued.

Definitions of Responsibility

According to Davis, "Responsibility is an obligation of individual to perform assigned duties tothe best of his ability under the direction of his executive leader."
In the words of Theo Haimann, "Responsibility is the obligation of a subordinate to perform theduty as required by his superior".
McFarland defines responsibility as "the duties and activities assigned to a position or an executive".

Authority

Authority is the right or power assigned to an executive or a manager in order to achieve certainorganizational objectives.

A manager will not be able to function efficiently without proper authority. Authority is the genesis of organizational framework. It is an essential accompaniment of the job of management.Without authority, a manager ceases to be a manager, because he cannot get his policies carried out through others. Authority is one of the founding stones of formal and informal organisations.An Organisation cannot survive without authority. It indicates the right and power of making decisions, giving orders and instructions to subordinates. Authority is delegated from above but must be accepted from below i.e. by the subordinates. In other words, authority flows downwards.

Definitions of Authority

According to Henri Fayol, "Authority is the right to give orders and the power to exact obedience."According to Mooney and Reily, "Authority is the principle at the root of Organisation and so important that it is impossible to conceive of an Organisation at all unlesssome person or persons are in a position to require action of others."

Accountability

Every employee/manager is accountable for the job assigned to him. He is supposed to completethe job as per the expectations and inform his superior accordingly.
Accountability is the liability created for the use of authority. It is the answerability for performance of the assigned duties.

Definition of Accountability

According, to McFarland, "accountability is the obligation of an individual to report formally to his superior about the work he has done to discharge the responsibility."
When authority is delegated to a subordinate, the person is accountable to the superior for performance in relation to assigned duties. If the subordinate does a poor job, the superior cannotevade the responsibility by stating that poor performance is the fault of the subordinate. A superioris normally responsible for all actions of groups under his supervision even if there are several layers down in the hierarchy.
Simply stated, accountability means that the subordinate should explain the factors responsible for non-performance or lack of performance.

8.3 FEATURES/CHARACTERISTICS OF DELEGATION

Delegation has the following features:

1. **Delegation is a process:** Managers delegate tasks in a sequential order of steps.

2. **On-going process:** Delegation is a continuous process. Managers continue to delegate tasks tosubordinates and get them delegated by their superiors to achieve the organizational goals.

3. **An art: not science:** Delegation does not necessarily mean that subordinates will perform thosetasks well. There is no cause-and-effect relationship between the task assigned and their actual performance. Delegation is, thus, not a science. It is the art of how well and what the manager delegates to subordinates.

4.**Delegation of authority and not accountability:** Managers can only delegate work and authority to perform that work. Delegation does not absolve managers of accountability to their superiors for the part of task assigned to subordinates. They remain accountable for the tasks assigned to subordinates and are answerable to their superiors for its performance. Thus, responsibility (tasks) and authority can be delegated but not accountability.

5.   Necessary activity: Managers cannot avoid delegation. They cannot perform all the tasks themselves. They have to learn the art of delegation that is, how to delegate and what to delegate.Corporate performance is judged by how well managers get the work done by the process of delegation. Delegation is not an option. It is a necessity.

6.   Different forms: Delegation can take different forms. It can be downward, upward or lateral.

8.4 PARITY OF AUTHORITY AND RESPONSIBILITY

Managers exercise great care during the process of delegation. If routine jobs are retained by themand important matters are delegated, the entire process of delegation becomes ineffective. Manager determines the authority and responsibility that should be retained by him and that whichshould be delegated. The authority and responsibility which he retains for his own performance iscalled reserved responsibility. According to Louis A Allen "a manager cannot effectively delegate

responsibility and authority for initiating and making final decisions for planning, organizing, coordinating, motivating and controlling the activities and positions that report to him."

Making plans; single use or multiple use, strategic plans, policies, procedures rules etc. cannot bedelegated. These activities are of supreme importance for the organization and managers cannot delegate them to subordinates. These are the foundation which provide meaning and substance tothe organization. Though not delegated, managers can take help of other line and staff managers in framing the plans.

While organizing determines the framework of the organization structure with well-defined authority-responsibility relationships amongst various individuals at various levels, the base for providing structure to organization, whether functional or divisional or matrix, is the sole responsibility of managers and cannot be delegated to subordinates. The kind of people to be recruited, selected, trained, placed on different jobs, the kind of leadership style to be adopted, themeasures of reward or coercion used as motivational factors are the important business decisionsthat cannot be delegated.

These are, thus, the important areas of management where delegation will not be effective. Whatthen are the areas where delegation will be effective?

With reference to plans and objectives of the organization, the important managerial functions of planning, organizing, staffing, directing and controlling are managed by managers themselves androutine activities with respect to each functional area of production, finance, personnel and marketing are delegated to subordinates, i.e., responsibility entrusted to lower-level managers should be with respect to routine jobs in the specific functional area. In the finance department, for example, the sources of raising funds, designing the capital structure,

determining the optimumdebt-equity ratio, apportioning funds between fixed and current assets are determined by the top managers. Once decided, accepting applications, returning excess funds and issuing share certificates can be delegated to lower-level managers (if funds are raised through issue of shares). Launching a new product, planning a market survey, feasibility and project report are done by topmanagers but actually conducting the feasibility studies and market surveys is delegated to lower-level managers. Once responsibilities to be delegated are determined, authority to carry out thoseresponsibilities is also delegated. The authority must be commensurate with responsibilities so that subordinates can effectively discharge their obligations. The matters which are of routine nature for top managers are important for subordinates and they need authority to carry out thoseresponsibilities.

Delegation has the following important elements:

Responsibility

Responsibility is the activity or task entrusted by the manager to subordinates. Though delegated,the ultimate responsibility (accountability) for completion of the task rests with the manager.

Accountability

When managers delegate part of their work-load to subordinates, they remain accountable for accomplishment of that task. The responsibility and authority, thus, can be delegated but accountability cannot.

Authority

To carry out the responsibility assigned, there is need for authority to allocate resources, commandpeople, issue directions and make decisions. The authority is therefore, delegated to subordinatesto enable them to carry out the responsibility assigned.

Subordinates need authority to carry out the responsibility. Authority enables delegates to give instructions to members of their unit. Authority without responsibility and responsibility withoutauthority has no meaning. Authority, Responsibility and Accountability are Inter-related. They need proper consideration while introducing delegation of authority within an organization. In the process of delegation, the superior transfers his duties/responsibilities to his subordinate and also give necessary authority for performing the responsibilities assigned. At the same time, the superior is accountable for the performance of his subordinate. As authority and responsibility arenot mathematically related to each other, authority cannot be exactly equal to responsibility. It must be commensurate with the responsibility; neither more nor less.

8.5 IMPORTANCE OF DELEGATION

Delegation is unavoidable. Managers have to be skilled in the art of delegation. Delegation

ofauthority is a process in which the authority and powers are divided and shared amongst the subordinates. When the work of a manager gets beyond his capacity, there should be some systemof sharing the work. This is how delegation of authority becomes an important tool in organizationfunction.

Through delegation, a manager, in fact, is multiplying himself by dividing/multiplying his work with the subordinates. The importance of delegation can be justified by –

1. Relief to managers:

Delegation relieves managers of the burden to carry out every activity on their own. By delegatingroutine activities to lower levels, top managers concentrate on important policy matters. This increase efficiency of the organization.

2. Develops managers:

By delegating authority and responsibility to subordinates, managers can accept more and responsibilities from their superiors. By delegating routine jobs down the hierarchy, they can takemore challenging projects and enhance their skills as competent managers.

3. Develops subordinates:

When routine and innovative tasks are delegated to subordinates, their skill in performing the delegated tasks increases. Training programmes can be organized to develop them as potential managers.

4. Better decisions:

Through delegation, decisions related to routine matters are taken by those who are closest to thedecision-making situation. This increases the quality of decisions.

5. Faster decisions:

Not only are the decisions effective, they are also fast as subordinates have the authority to do thejobs assigned without going to the superiors every time they face a problem. They have authorityto solve the problems on their own.

6. Specialization:

Division of work into sub-units and delegation of responsibilities according to skill, knowledge and competence of subordinates promotes specialization on the job and results in greater output.

"Delegation provides a way to break down the responsibilities of a manager and assign them across several subordinate managers based on their specialized capability."

7. Job satisfaction:

When subordinates achieve the delegated standards of performance, it provides them job satisfaction and motivates them to perform better.

8. Promotes inter-personal relationships:

Delegation increases interaction of managers with the subordinates and promotes healthy relationships amongst them. Therefore, from the above points, we can justify that delegation is not just a process but it is a way by which manager multiples himself and is able to bring stability,ability and soundness to a concern.

8.6 PRINCIPLES OF DELEGATION

The following principles make the process of delegation effective:

1. Authority, responsibility and accountability:

These are the elements of delegation that make it an effective process.

2. Parity of authority and responsibility:

Subordinates need authority to carry out the responsibility. Authority enables delegates to give instructions to members of their unit. Authority without responsibility and responsibility withoutauthority have no meaning. As authority and responsibility are not mathematically related to each other, authority cannot be exactly equal to responsibility. It must be commensurate with the responsibility; neither more nor less.

3. Scalar chain:

Every member should know his position in the scalar chain to know his superiors who have the power to delegate and his subordinates to whom he can delegate. The responsibility can be assigned if every person knows his position in the hierarchy. Scalar- chain determines direct authority relationship between the superior and subordinates. Clarity in scalar chain relationshipspromotes faster and effective decisions.

4. Completeness of delegation:

Every part of the total work (except the one which is reserved by managers) should be delegated down the scalar chain. If some part of the work is not delegated, gaps would arise in respect of thework not so assigned and the work will not be completed properly.

5. Unity of command:

Every individual should have one boss to whom he should report. If subordinates have more thanone boss, they may not be able to carry out the assigned task. For example, if a person

cannot accomplish the task assigned to him by boss A, he may say that he was busy carrying out instructions of boss B and vice versa while it may not actually be so. He, thus, avoids responsibility of carrying out the assigned tasks. Unity of command creates personal responsibility for results and avoids conflicts in instructions in the organizations. There is complete clarity about who has to carry out whose orders and when.

6. Absoluteness of responsibility:

Though the task and authority to carry out the task is delegated, the delegator continues to remainaccountable to his superiors for the acts assigned to his subordinates. If district manager cannot achieve the sales target, branch manager (delegator) remains responsible to the General Managerof sales department. Delegation does not mean that superiors get free from the responsibility of tasks assigned to subordinates. If subordinates do not perform well, delegator has to ensure that they know the task and perform it will. Ultimate responsibility means accountability. While responsibility can be delegated, accountability cannot be delegated.

7. Delegation by results:

Managers should determine the objective of delegation, that is, what they want their subordinatesto do and then delegate the tasks along with authority to them. If production manager wants to increase production of Northern Branch, he should delegate this task to his branch manager, Northern Region.

The branch manager will carry out the tasks when things are clear to him. Vague orders like, 'increase the sales' are not effective even if subordinates have authority to carry out such orders.What is expected out of delegation by whom, when etc. must be clearly planned and communicated to subordinates for effective delegation. Subordinates should know the outcomes expected from their actions.

8. Delegate within defined limits:

Managers cannot delegate what they are themselves not authorized to do. For example, if managerdoes not have authority to raise funds from financial market without sanction of top managers, hecannot delegate this task to subordinates. Only those tasks which manager is himself authorized to do can be further delegated.

Sometimes, decisions are made by two or more managers together. This is called splintered authority. It means authority to take decisions through interdepartmental interaction. A single manager is not authorized to make decisions.

8.7 DEFINITION

When the power to take decision rests with the top management it is called as 'Centralization'. When the power to take, decision is given to the person performing the job it is called as

'Decentralization'.

According to Fayol—"everything which goes to increase the importance of the subordinate's role is decentralization and everything which goes to reduce it is centralization." The importance of the subordinate is reduced and the importance of the superior executive is increased in centralization.

According to Allen, "Centralization" is the systematic and consistent reservation of authority at central points in the organization. The implication of centralization can be:-

- Reservation of decision-making power at top level.
- Reservation of operating authority with the middle level managers.
- Reservation of operation at lower level at the directions of the top level.

8.8 DE-CENTRALISATION VS. DELEGATION

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

i. Delegation creates authority-responsibility relationship between a superior and his subordinates, whereas decentralization refers to the creation of semiautonomous decision-making units or even profit centers functionally related to the top management. In other words, decentralization is diffusion of decision making authority throughout the multiple layers of the organization.

ii. Decentralization is simply not an extension of delegation. The purpose of delegation maybe confined to relieve the excessive burden of key managerial personnel, but decentralization has a deeper meaning bordering on a new philosophy of organization and management.

iii. Delegation is a process whereby the superior assigns certain tasks and responsibilities within his control to his subordinates, immediately vests part of his decision-making authority in them and precisely it is an obligation from them for proper discharge of authority conferred upon them and for effective performance in the area of delegated activity.

But, on the other hand, decentralization refers to structural dispersal of authority for decision making in various facts of organizational operations throughout the organization in the form of semi-autonomous units, subject to overall control by the top management.

iv. Delegation takes place between a superior and a subordinate and is a complete process. It may consist of certain tasks alone. But decentralization involves spreading out the

total decision-making power throughout the organization.

v. Sheer pressure of managerial workload forces managers to delegate a part of their burden to their subordinates, as a matter of necessary with few alternatives. Decentralization, on the other hand, could be only one of the options open to an enterprise out of several alternative ways of organizing expanding operations. This means that delegation of

authority could take place without decentralization, whereas there can be no decentralization without delegation of authority.

vi. In case of delegation of authority, the diligent has directive responsibility in relation to hissubordinates. But in a decentralized setting, direction is to a large extent substituted by control by the top management. The control mechanism is also elaborate so as to ensure that the dispersal of authority strengthens the entire organization and that the semi- autonomous units have a central focus on viability and vitality of the organization; and

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

8.9 FACTORS AFFECTING CENTRALISATION AND DECENTRALISATION

Some degree of centralization and decentralization should be decided in order to maintain a balance. There are some factors which may require centralization while there are others which may need decentralization.

These factors influence a decision about the degree of centralization and decentralization.

1.   Size and Complexity of Organization:

In case of bigger concerns there is a need to decentralize authority to lower levels in the organization. It will facilitate decision making and control. When the concern is small then centralization will be useful. If the operations of a concern are simple then centralization is preferred while in complex operations decentralization will be useful.

2.   Communication System:

When communication system is good then top management can control the operations at last andcentralization should be preferred. In the present technological age, managers setting in even other countries can control decision making and operation of a business. If the communication system is slow and ineffective then decentralization should be used.

3.   Competence of Personnel:

When competent personnel are available in the organization then powers should be delegated to various levels of management to make use of their expertise. In case competent persons are not available to share the responsibility of the top management then decision making should

be retained at higher level.

4.Degree of Standardization:

The greater the degree of standardization in operations, the more will be the centralization becauseit will be easy to control the operations from the top. The centralized structure will bring uniformity of action in such an organization.

5.   Spread of Activities:

If a business has different plants or units situated at different places then decentralization will be essential to carry on the activities effectively. The finance function in such a business should be centralized to ensure effective control over assets and capital expenditure.

8.10 PRINCIPLE OF CENTRALISATION AND DECENTRALISATION

Fayol is of the opinion that there should be a proper balance between centralization and decentralization. An organization must not be completely, centralized or decentralized, there should be a match between the two depending upon the size, nature and location of business.

The top management must keep the authority to take important decisions of the organization but adequate authority must be delegated to the lower-level employees to take the department level decisions. This will facilitate the proper and timely functioning in the organization. And the top management will be free from extra burden of taking and handling each and every affair of the organization. All the lower-level problems will be handled at that level only; this also gives a feeling of superiority to the lower-level employees which motivate them to perform better.

Positive impacts of this principle:

- Facilitates proper functioning of the organization;
- Timely completion of work;
- No extra burden on the top management;
- Motivates the lower-level employees; and
- Decisions will be taken at the level of action.

Consequences of violation of this principle:
- Over burden on the top management;
- Difficulty in the achievement of organizational objective;

- Delay in action, because the decisions of top management are to be waited.

- Sometimes it creates conflict between the management and the employees; and

- Ego clashes in case of different decision by lower level and top level management.

8.11 CENTRALISATION AND DECENTRALISATION

Centralization and decentralization are the opposite ends of an organization continuum. On the one hand, centralization brings uniformity of policy and action, utilizes the skills of centralized and specialized staff, and enables closer control over operating units. And on the other hand, decentralization tends to effect faster decision-making and action on the spot without consulting higher levels. Decentralization has the effect of motivating the subordinates since they have a greater share in management decision-making. The question of centralization or decentralizationis a matter of degree. It is not possible to conceive of an organization which is exclusively centralized as some decentralization of authority is bound to exist. Likewise, there can be no absolute decentralized structure as the top executive cannot delegate all his authority. The issue of centralization and decentralization has to be decided objectively taking into consideration the size and nature of enterprise, diversity of the company's product, economies of division of labor,location of markets, nature of services to be performed, availability of trained and efficient managers, philosophy of management, etc. Centralization is not a system of management good orbad by itself, capable of being adopted or discarded at the whim of managers or of circumstances;it is always present to a greater or less extent. Nowadays, two types of organizational structure can be seen, which are centralized and decentralized. Centralization of authority means the power of planning and decision making are exclusively in the hands of top management while in the caseof Decentralization, the powers for the same has been disseminated by the top management to the

middle or low-level management. There is a never-ending debate between these two terms to prove which one is better. In these significant differences between Centralization and Decentralization areexplained:

BASIS FOR COMPARISON	CENTRALIZATION	DECENTRALIZATION
Meaning	Centralization is the practice of keeping control of planning and decision-making with the highest management.	Decentralization is the process of distributing power, accountability, and responsibility among different management levels.

Involves	Constant and organized reserve of power.	Systematic delegation of power.
Communication Flow	Vertical	Free and Open
Decision Making	Slow	Comparatively faster
Advantage	Good planning and leadership	Sharing responsibilities and the burden
Power of decision making	Lies within the executive level.	There is shared decision-making authority.
Implemented when	Insufficient management of the organization	Significant authority inside the company
Best suited for	**Small-sized business**	**Very large organization**

8.12 LET'S SUM-UP

Delegation means to grant or confer. It helps to coordinate activities at various levels to increase efficiency of the organization. It helps managers to concentrate on important organizational matters and pass the routine matters to subordinates. Management is the art of getting things done through others and managers can get others to do things if they delegate them the responsibility along with authority. Delegation is an important skill that helps manager to effectively manage his organization. "How well a manager delegates determines how well he can manage. "Delegation relieves the burden of managers and creates healthy atmosphere in the organization.Companies identify the capabilities of managers by judging their skills in how effectively they engage in the process of delegation.

Centralization and decentralization are the two opposite ends in an organization. In practice there cannot be neither complete centralization nor decentralization. In a highly centralized organizationdecision making is costly and delayed. The operations of the organization suffer for want of authority at different levels of management. In a decentralized system, authority is spreadthroughout the organization and controls are assigned to functional managers. In order to keep it abreast with the working, top management will keep some powers and controls to itself.

8.13 KEY TERMS

- **Delegation:** Delegation is the assignment of any responsibility or authority to anotherperson to carry out specific activity/activities.
- **Authority:** Authority is the right or power assigned to a person in order to achieve

certainorganizational objectives.

- **Responsibility:** Responsibility is the obligation of a subordinate to perform the duty asrequired by his superior.
- **Accountability:** Accountability is the liability created for the use of authority for performance of the assigned duties.
- **Centralization:** Consistent reservation of decision-making power at the top of the organizational hierarchy.
- **Decentralization:** Dispersion of decision-making power in an organization-wide contextacross all levels in an organization.
- **Delegation:** Distribution of authority and responsibility to subordinates, and creation ofaccountability for performance.
- **Decision-making:** Selection of a particular course of action from various alternativesavailable.

8.14 SELF-ASSESSMENT QUESTIONS

i.   Explain the concept of delegation. Distinguish between authority and responsibility.

ii. What do you mean by parity of authority and responsibility?

iii. "Delegation and decentralization are interchangeable terms in management and organization theory". Comment.

iv. "Centralization is not necessarily bad, nor is decentralization necessarily good". Elucidatethe statement.

v.   "Delegation is the key to administrative effectiveness". Elucidate.

8.15 FURTHER READINGS

- Kootnz & O'Donnell, Principles of Management.
- 2. L. M. Prasad, Principles and Practice of Management.
- J.S. Chandan, Management Concepts and Strategies.
- Arun Kumar and R. Sharma, Principles of Business Management.
- Sherlerkar and Sherlerkar, Principles of Management.

8.16 MODEL QUESTIONS

1. Explain the term 'Decentralization' and give its principal advantages. What are the factorsthat govern the degree of decentralization in an organization?
2. "Delegation is the key to administrative effectiveness". Elucidate.
3. Justify the importance of sound delegation in achieving organizational objectives.

4. Explain how delegation of authority and responsibility can create accountability on thepart of the subordinate.
5. What are the characteristics features of delegation?

BLOCK-3: DIRECTING AND STAFFING

UNIT-9: DIRECTING

UNIT-10: LEADERSHIP: CONCEPT AND TYPES

UNIT-11: LEADERSHIP MODELS

UNIT-12: STAFFING

UNIT-9: DIRECTING

Structure:

Learning objectives

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

- Explain the meaning and definition of direction
- Directing techniques
- It's importance as a management function

9.1 Introduction

Directing is one of the most important functions of management among all. A proper planning gives foundation to the organization. Likewise, organising is a process of defining relationship among people, tasks and activities so that the organizational resources are integrated and coordinated efficiently and effectively. After that when it comes to directing function, it initiates action. A manager always tries to create an environment in which people work as active group members under a common goal. A manager must know the problems or situation that needs direction. A set of instructions and orders which have been prepared by the top management

9.2 Meaning and Definition of Directing

Directing is the heart of management function. It is said to be a process in which the managers instruct, guide, inspire, lead and supervise the performance of the workers to achieve predetermined goals. It is an ongoing managerial process which present till the life of an organisation.

All other functions have no importance until directing is properly initiated. Actual work starts from here for the accomplishment of organisational objectives. Simply it means providing guidance to workers and subordinates to perform their respective work efficiently and effectively to achieve organisational goals. In planning function whatever activities are planned were need to be properly executed in this function. No goals are successfully achieved if subordinates aren't guided by the superior or manager. Performing the role of a direction for a manager is a difficult task because it involves handling men at work of varied nature. A manager acts as an agent who influence the behaviour of employees to achieve the organisational goals and ensure that organizational plans and policies satisfy the interest of the workforce.

Definitions

Koontz and O 'Donnel; "Directing is a complex function that includes all those activities which are designed to encourage subordinate to work effectively and efficiently in both the short and long-run." — Koontz and O 'Donnel

"Direction is the sum total of managerial efforts that are applied for guiding and inspiring the working terms to make better accomplishments in the organization. " —S.S. Chatterjee

"Directing concerns the total manner in which a manager influences the actions of subordinates. It is the final action of a manager in getting others to act after all preparations have been completed." —Joseph Massie

9.3 Characteristics of Directing

i. **Initiate Action**:

Directing initiates action refers to the mode in which other function before direction carried out and how many of the activities are set with regards to achieve organisational goals should be performed first.

ii. **Pervasive function**:

Directing is required at every managerial levels whether it is top level, middle level or lower level. A manager is a communicator between different level. Information from the top level should be communicated to the different levels of management in order to achieve the organisational objectives. A manager has to guide his subordinate engaged in different activity from time to time and get instruction to get the work done from his superiors.

iii. **Continuous Activity**:

It is a continuous ongoing process and lasts the duration of an organisation. It helps in continuously guiding the behaviour of other person engaged in the organisation. A manger cannot take rest just after issuing orders but to check whether the instruction should be properly followed or not by the subordinates.

iv. **Flows from Top to Bottom**:

It follows a top-down approach in the management hierarchical structure. As the direction flows from top to bottom, a manager required to take information from his immediate boss and supervise, guide and motivate his subordinates to achieve objectives of the organisation.

v. **Group behaviour**:

No one can work alone in the organisation. A person engaged in the organisation becomes a part of its group under which he is working. It is essential that the manager understand the nature of group behaviour in order to direct effectively.

vi. **Performance oriented**:

Bringing efficiency in performance is the main motive of direction. It convert plans into actions. It directs performance of an individual person towards achieving organisational objectives.

vii. **Linking process:**

Planning, organizing, and staffing are essentially pre-work activities after which direction initiates action. It also helps in performance monitoring and management. In this sense, directing acts as a pillar of planning and execution.

Directing maintain and strengthen superior-subordinate relationship and inspires everyone in the organisation to contribute towards a common organisational goal.

9.4 Importance of Directing

i. **Integrates employees' efforts:**

A manager establishes coordination among the employees of an organisation by supervising, motivating and guiding them. For the successful accomplishment of objectives of an organisation, efforts of every individuals are required. Through a persuasive leadership and effective communication, every departmental activity can be properly integrated which brings effectiveness and stability in the position of the organisation.

ii. **Providing good leadership and exchanging ideas**.

Every employee's activities in the organisation are co-related with each other. If any one of the employees does not perform up to the mark, it adversely affects the performance of remaining. It integrates all the efforts of the employees and departments.

iii. **Boost productivity:**

A managers guide and instruct their subordinates regularly and motivate them to complete the task. As a result of this directing gets maximum out of subordinates by exploiting their potential and increasing their capabilities to work.

iv. **Initiating plans into actions:**

It initiates actions that motivates people to convert the resources into productive output and gives a shape to the other managerial function. Best utilisation of resources in the most effective manner is the ultimate aim of an organisation.

v. **Accommodates changes:**

It helps in introducing flexibility in an organisational structure with the external environment. For the survival and growth, it has to accept the changes and makes necessary organisational adjustments for better communication and leadership.

vi. **Facilitates control:**

Planned performance can be turned into the real one only with the help of effective coordination. Effective direction, thus, helps in better performance of controlling function.

vii. **Facilitates growth:**

Flexibility is always responsive to growth. An organisation with flexible management structure, effective leadership and communication can grow smoothly.

viii. **Behavioural satisfaction:**

It involves human behaviour and psychology. If an employee feels satisfied and personally inspired, it can give a plus point to the organisation and achievement of organisational goals were easy.

ix. **Provides motivation:**

A manager always inspires their subordinates. By identifying their potential and ability, a manager encourages them to work willingly so that the organisational objectives can be met.

x. **Provides stability:**

Effective directing develops co-operation and commitment among employees which helps in maintaining balances between various departments and groups.

xi. **Effective utilisation of resources:**

It involves clarification of duties and responsibilities to every subordinate such that no duplication, avoiding wastage and utilising the resources of men, materials, money and machinery to the best possible extent.

9.5 Principles of Directing

By understanding the behaviour of subordinates and directing them towards a common vision is a tough task for the manager. However, the following are some of the principles of direction, which helps the manager as well the organisation in achieving its objectives.

(a) Appropriate Selection of Employee:
At the time of selection of employees in the organisation, a manager should ensure that the person can adjust in the organisational environment and enthusiastically follow the direction of superior. It is easy to direct persons who are committed to their task. Timely supervision makes them confidant to achieve individual goals as well as organisational goals.

(b) Maximum Individual Contribution:
It aims at getting maximum contribution from employees by exploiting their potential and talent to the best. Management should encourage and introduce such policies which will motivates the employees to get best results.

(c) Harmony of Objectives:
There should be harmony between individual's interest and organisational goals. If these two are not properly balanced then conflicting situation arises which may hamper the organisational growth. Effective direction, guidance, motivation and counselling make people understand that their individual goals are contributing towards an organisational vision. This helps in moving individuals in the same direction. Single plan, one objective, one direction and one goal helps in the successful implementation of direction.

(d) Unity of Command:
One boss for one subordinate. it refers to all the directions, orders and instruction should come from one superior. If a subordinate will get instructions from more than one superior or boss than it will lead to confusions and the subordinate will not be able to follow the instructions properly. Later on, this will create conflicts and dissatisfaction on the part both superior and subordinate. Direction function helps in proper coordination among all.

(e) Unity of Direction:
One plan or related activities should have one head. All the activities related to finance should be headed by finance manager and those related to personnel should be headed by personnel manager. It helps in avoiding duplication of actions, confusion and leads to stability in the concern.

(f) Direct Supervision:
On the basis of capabilities and skills whatever may be the task assigned to employees should be checked by the manager or supervisor. If there is any deviation between the planned and actual performance, suggesting steps should be taken to remove them. This function also helps to maintain a proper balance between individual interest and loyalty in their supervisor towards common vision of the organisation.

(g) Managerial communication:
An effective system of communication ensures smooth flow of order and instruction from the superior to the subordinate. Instructions or order given by the manager to the

subordinate should be clear and the subordinate get it as it was intended to be communicated. if there is any problem or grievances facing by subordinates should be solved by the superior authority.

(h) **Effective Leadership style:**

A manager should be a good leader. As a leader, he should guide and council his subordinates in their personal problem to win the trust and confidence. This leadership quality of the manger pushes his team member and subordinates to work efficiently.

(i) **Use of informal organisation:**

Under a formal organisational structure, manager should make informal groups to strengthen the flow of information. Information spreads faster amongst informal groups and direction can be effectively carried out because subordinates and superiors are free to discuss and interact with each other.

(j) Follow-up:

As directing is a continuous process, a manager should receive constant feedback from the engaged employees of the organisation whether they are working accordingly to the direction given or not. If any problem arises, it is essential to make necessary modification in the activities of management.

9.6   Techniques of Directing

i. **Delegation**: The process of assigning duties and responsibilities to the correct person is meant to actual delegation. A good direction policy takes care of complex nature of human beings at different point of time and giving employees an opportunity to learn. Orders and instructions issued by the manager reflects managerial decision. An organisation cannot grow even an inch without delegation.

ii. **Supervision**: It is the process of overseeing the performance of employees engaged in the organisation. Performance of various person depends upon the quality of supervision. A supervisor should view that the assigned task performed without deviating from the original plan.

iii. **Communication**: It helps the superior to communicate his opinions, views and orders to employee. A manager should constantly guide his employees and at the same time supervise his subordinates about how to do, what to do and when to do various things. It will helps to build an effective communication channel.

iv. **Motivation:** Motivation is an influential factor of direction which excites people to work efficiently and effectively. A manager should time to time motivates employees by giving them rewards in monetary and non-monetary form. Better performance of employees reflects success of an organisation.

v. **Free-rein Direction:** It is type of direction where there is no leadership. Employee feel free to work in such type of environment. It leads to creation of new and innovative ideas on the part of workers. The educated and experienced subordinates take decision on their own.

vi. **Autocratic direction:** A manager work in an environment where his abilities to handle situation matters a lot. By the virtue of the position and authority, he has to manage all the operation carry out in an organisation by giving instructions and have a close supervision on them. It is just opposite to free-rein direction. Employees are fully dependent and do not take initiative to work, therefore the manager assign duties to them.

vii. **Leadership:** It is that technique of directing which involves motivation and persuasion in order to achieve organisational goals. A manager, as a leader will be able to influence other employee and inspires them to follow the instruction provided.

SUPERVISION

The term supervision can be described in two contexts:
   I. As an element of directing
  II. Functions performed by the supervisor
   I. **Element of directing**: Being one of the important elements of directing it refers to both for the supervisor and supervisee in exploring practice and performance. It is performed at all levels of management for guiding the efforts of employees and other resources to achieve desired results.
  II. **Functions performed by the supervisor:** In the management hierarchy whatever the information flows from top level to lower level is possible with the help of a supervisor. Managers at the top level supervises the activities of middle level and managers at the middle level supervises the activities of lower level. Finally, the lower level of managers supervises the conduct of workers or employees of the organisation. Direction issued at the top-level reach to the workers through supervisor and any grievances and complaints reach to the higher level through supervisor.

  From planning, organising, staffing and controlling all the activities are communicated to the workers by the supervisor. A supervisor acts as a force between the two i.e, the manager and the worker. He tries to fulfil the needs and desires of managers and workers both. He maintains the relationship between the superiors and subordinates.

9.7 Limitation of Directing

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   i. **Difficulty in cooperation:** Sometimes employees start functioning independently because of less supervision and control by the superiors. Such types of activities create hurdles for the organisation in achieving its objectives. Under such types of circumstances, it will become difficult on the part of manager to establish coordination among employees.
  ii. **Lack of importance of managerial post:** Become a leader, a manager neither make any plan nor have the right to take decisions in the organisation.
 iii. **Principles of management is not static in nature:** With the development of science and technology, management concept changes. New ideas, innovative products, likes and dislikes are developed in the market every year. Thus, a great deal of adjustment is to be done to adopt the changing situations.
  iv. **Management techniques and policies should be adjusted according to specific circumstances:** An organisation has to choose which directive policies are best suited for the organisation. Different organisations have distinct policies and management structure.
   v. **Human element:** As various persons are engaged in an organisation, managing them becomes difficult on the part of a manager. Understanding the nature and behaviour of employees, provide instruction, guidance and motivate them to get the work done etc are the job of a manager. Handling persons of varied nature at the same work place is a difficult task.

9.8 Let us sum up

Management involves planning, organising, directing, controlling and coordinating. Directing plays an important role in the management process.

Without directing, the workforce would be clueless about which path need to be followed. It is also said that directing is the heart of management process. As heart helps in the functioning of pumping blood to all parts of the body which make the part function. Similarly, direction helps the subordinates to perform their best with the capabilities and make organisational surroundings a healthy one.

Successful managers are made, not born. With the technological advancements and changes in the organisational environment a manager is capable of engaging himself with the workforce in accordance with the situation. A manager instructs, order, guide and motivate employees of the organisation from time to time to get their work done efficiently and effectively. In the managerial process, directing function further helps the management to perform controlling and coordinating function.

Directing is what it has to be done and in what manner through dictating the procedures and policies for accomplishing performance standards.

9.9 FURTHER READINGS

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9.10 Model Question

1. What is the meaning, nature and importance of direction as a managerial function?
2. Define Direction. Explain various techniques of direction.
3. Outline the important principles of direction.
4. "Directing is the Heart of management function''-Explain.

UNIT -10: LEADERSHIP: CONCEPT AND TYPES

STRUCTURE

10.1   Introduction

10.2   Definition and Meaning of Leadership

10.3   Nature and Characteristics of Leadership

10.4   Importance of Leadership

10.5   Leadership in the new Millennium

10.6   Leadership Styles

10.7   Let Us Sum Up

10.8   Review Questions

LEARNING OBJECTIVES

After studying this unit, you will be able to:

- Define the meaning of Leadership

- Understand the nature and characteristics of Leadership

- Appreciate the importance and role of an effective leadership in the growth andsuccess of an organization

- Delineate some of most commonly applied Styles of Leadership in today'sorganizations

- The types of Leadership

10.1   INTRODUCTION

A leader is the one who is responsible for creating and sustaining not only good but great organizations. I'm sure you are reminded of some great leaders in the corporate world who have turned the fortunes of their organizations by their sheer futuristic vision to make this world a better place for our future generations by their business acumen and ingenuity. To name a few , we have Mark Zuckerberg of Facebook to start with, followed by Bill Gates of Microsoft, Warren Buffet of Berkshire Hathaway, JackWelch of GM, Lee Iacocca of Chrysler , Steve Jobs of Apple, looking around closer home , we have leaders and visionaries like JRD Tata, Ratan Tata, Dhirubhai Ambani, Mukesh and Anil Ambani of Reliance, Azim Premji of Wipro, Indira Nooyi of PepsiCo, Narayan Murthy of Infosys, well the list can be endless.

What do you think is common about all of them?

Well, without blinking an eyelid I can tell you that they are all Level Five leaders, whohave exhibited a very fine juxtaposition of tremendous professional will and humility. This is what we call level five leadership. We will be discussing level five leadership later in the lesson.

What does it take to be a good leader?

Well, a good leader is the one who is bestowed with certain qualities which enables him to

run the show during his life and the one who ensures that the show goes oneven long after he is gone. That is what we call leadership. We are reminded of Steve Jobs here who was a leader par excellence who was able to communicate his vision forthe organization to his people, who are carrying forward the great legacy left behindby him.

> The three most important qualities which make an effective and efficient leader are that;

- He should have a clear sense of mission vision and direction for the business and should have an ability to communicate it to his followers.

- He should have an incredible knack for motivating and inspiring people in the organization by being a role model himself by walking the talk.

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> Last but not the least, he should have a tremendous measure of adaptability and by this virtue has the ability to save the organizations from becoming corporate dinosaurs.

Thus we can reinforce that Leadership is a function of management which is concerned with influencing the thought process and behavior of the people around in the organizations.. Good leadership is necessary for inspiring the people to work more and better for the accomplishment of predetermined objectives. Leadership provides a cohesive force which holds the group intact and develops a spirit of cooperation. A good leader is also able to coordinate the activities of the followers and induce them towork with confidence and zeal.

According to Keith Davis,"Without effective leadership, an organization is but amuddle of men and machines. Leadership is the ability to persuade others to seek defined objectives enthusiastically. It is the human factor which binds a group togetherand motivates it towards goals. Management activities such as planning, organizing and decision –making are dormant cocoons until the leader triggers the power of motivation in people and guides them towards goals. Leadership transforms potential into reality. It is the ultimate act which brings to success all of the potential that is in the organization and its people".

10.2 DEFINITION AND MEANING OF LEADERSHIP

Leadership is a great quality and it can create and convert anything.
Some of the definitions of leadership are reproduced below:
"Leadership" according to Alford and Beatty, "is the ability to secure desirable actionsfrom a group of followers voluntarily, without the use of coercion."
According to Chester I Barnard, "it (Leadership) refers to the quality of the behaviorof the individual whereby they guide people on their activities in organized efforts' '.

10.3   NATURE AND CHARACTERISTICS OF LEADERSHIP

An analysis of the definition stated above delineates the following characteristic features of leadership.

- Leadership is an inherent personality trait which distinguishes the leaders from the non-leaders.

- Leadership can be exhibited only when there are followers. Leadership is a process of influencing, inspiring and motivating the people in the organization.

- It aims at creating an enabling organization culture which strives towardsturning the

vision into reality.
- Different Leadership styles are followed under different set of situations.
- Leadership is all about directing and guiding the human resources in an organization.

10.4   IMPORTANCE OF LEADERSHIP

The corporate world is replete with examples of exemplary leaders who have been instrumental in making their organizations what they are today. The following points highlight the importance of leadership

- Leadership is the process of influencing the activities of an individual or agroup towards the achievement of the predetermined goals.
- An effective leader motivates the subordinates for a higher level of performance under all circumstances.
- Leadership promotes team - spirit and team - work which is quite essential forthe success of any organization.
- Leadership is an aid to authority. Leadership helps in the effective use offormal authority.
- Leadership creates confidence in the subordinates by giving them proper guidance and advice.

Importance of leadership:

Lessons from 'Chak De India'. The importance of leadership can be well understood from the film 'Chak De India', which is a story of a hockey legend Kabir Khan who exhibited exceptional leadership skills and lead his team of sixteen girls to win the world cup in spite of all the odds. The film showcases the significance of effective leadership and how goals can be achieved through teams under dynamic leadership. Similarly, all organizations and its employees should work towards a common vision and be a part of a TEAM that believes in creating a World Class Organization.

The importance of leadership (coach kabir khan) can be understood by the very fact that,
- A leader is the person who made them realize their own potential

- By having a Right Attitude and A positive body language which can make a huge difference
- Who motivates the team by showing the Power of Expectations (showing confidence in the team's abilities and their success)

- By Strategizing every move and knowing what he wants to achieve… throughhis teams
- By harnessing the right talent for the right job at the right time.

10.5 LEADERSHIP IN THE NEW MILLENNIUM

As one progresses towards the 21st century, while aspects of management will still be very necessary, there will be a tremendous premium on leadership. To be successful inthe future, we need to operate as a leader rather than a manager. Lawrence M. Miller, President of the

Miller Consulting Group says,

Evolution from Leadership to Exceeder ship

Stephen Burr, HR Head – GSK says that the fast-growing international environment isgiving way to a new concept; Exceeder ship which entails Embedding the desire to surpass targets into the business mindset and performance. It's all about developing a performance driven culture with a can-do attitude, where there is a trust, focus, innovation and integrity, and where people are positive and optimistic, and are empowered to make decisions.

According to Russell-Greig, President GlaxoSmithKline, Exceeder ship means the drive to go well beyond the agreed targets, doing the bold, the unexpected, the creative; an intolerance of mediocrity, encouraging radical, risk-taking ventures; and developing a resilient, unrelenting positive attitude.

Current and Future Paradigms for Top Leadership

The leadership in the new millennium calls for the following characteristics to lead the organizations towards higher objectives and transcend them from Good to Great. This would be possible only when the top management exhibits its genuine concern for the development of its people who are at the core of the very existence of the organization.

• Being a leader

• Being a coach and facilitator

• Empowering people

• Distributing leadership

• Aligning with vision and strategy

• Guiding with shared values and a healthy culture

• Building "relationship power" and networked teams

• Gaining commitment

• Focusing on quality, service and customers

• Collaborating and unifying

• Fostering interdependence

• Respecting and leveraging diversity

• Continuously learning and innovating

• Being globally competitive

• Having a broader focus:

• "My team, my company, my community, my world".

10.6 LEADERSHIP STYLES

Let's have a look at the different styles of leadership and their commitment to development

of their human resources. Leadership styles may be classified into four categories:

1. Benevolent or paternalistic,

2. Critical or task centered,

3. Developmental or self-dispensing.

4. Level

5. 5 Leadership Style

1. **Benevolent or paternalistic Leadership style**

A Benevolent Head is like a father figure, who nurtures and takes care of all the needs of its people. He believes in understanding them and treating them with affection, giving them instructions from time to time to meet the goals. He values relationships even at the cost of task which hampers the effectiveness of the organization. Azim Premji, CEO of Wipro is known to be a benevolent leader.

2. **Critical or Task Centered Leadership Style**

A Critical Head is someone who believes that people are by nature lazy and shirk work (theory X) unless they are followed and supervised closely. He believes in watching them at every step, checking them and even at times reprimanding them and showing his dissatisfaction towards their work.

3. **Developmental or Self Dispensing Leadership Style**

A Developmental Head is the one who believes in the competence of his people (theory Y) and thereby educates them and makes them independent, believing that his success lies in making himself dispensable in their lives .

Suitability of the leadership style

It would be interesting to note that the benevolent and the critical leadership styles are not conducive to the organization's health and HRD. While on the one hand benevolent leadership makes them dependent on the leader, the critical leadership style makes them feel incompetent. Thus these leadership styles should be used depending upon the situation and the developmental style should be used more often. When a leader is using a developmental style, he dons upon himself the role of a supportive and a directive leader depending upon the competence and the commitment of his people towards the organization.

Figure 1, exhibits the leadership behavior depending upon the employee's competence and commitment.

When the leader is high on supportive behavior, he is supporting the people who are showing high competence interspersed with variable levels of commitment and coaching people who have some level of competence and commitment. On the other hand, when the leader is exhibiting directive behavior, he is empowering his people who are exhibiting high levels of competence and commitment and directing the people who are showing low level of competence but have high level of commitment for the organization.
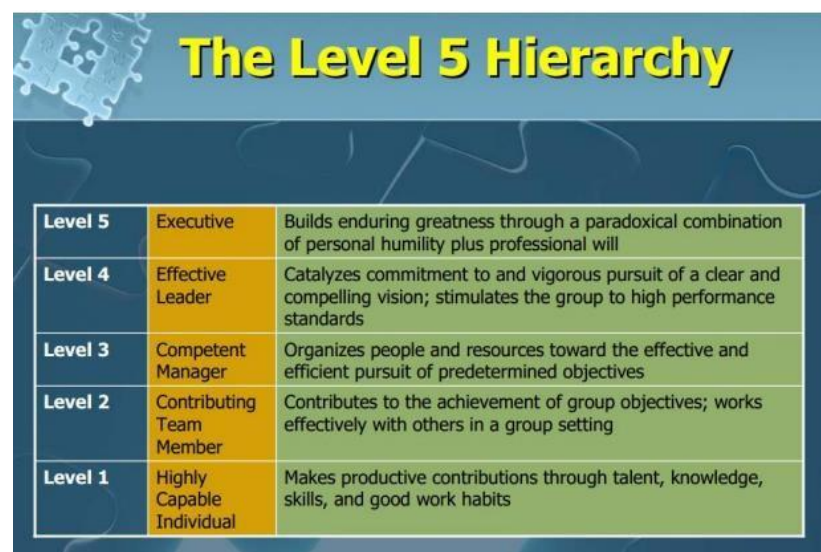
Figure 1: Leadership Behavior Depending Upon Employee's Competence and Commitment.

4. Level 5 Leadership Style

Jim Collins in his book GOOD TO GREAT has emphasized that the key to anorganization's journey from good to great starts with having a Level 5 leadership style, a leader who blends genuine personal humility with intense professional will. We are all witnesses to these great men who have transformed their organizations from good to great. Let's try to understand the concept of level 5 leadership as sketched out below.

"Level 5" is the highest level in a hierarchy of leadership capabilities. Leaders at the other four levels in the hierarchy can produce high levels of success but not enough to elevate organizations from mediocrity to sustained excellence. At level 1, he is a highly capable individual, when he becomes a good team player, he reaches the level2, when he becomes highly competent, he reaches level 3, when he is effective in his dealings, he reaches level 4 and when he exhibits all the four levels along with great humility and exceptional professional will, he becomes a level 5 leader.

Level 5	Executive	Builds enduring greatness through a paradoxical combination of personal humility plus professional will
Level 4	Effective Leader	Catalyzes commitment to and vigorous pursuit of a clear and compelling vision; stimulates the group to high performance standards
Level 3	Competent Manager	Organizes people and resources toward the effective and efficient pursuit of predetermined objectives
Level 2	Contributing Team Member	Contributes to the achievement of group objectives; works effectively with others in a group setting
Level 1	Highly Capable Individual	Makes productive contributions through talent, knowledge, skills, and good work habits

Good-to-great transformations don't happen without Level 5 leadership. Level 5 is not the only requirement for transforming a good organization into a great one. The Other factors include getting the right people on the bus (and the wrong people off the bus) and creating a culture of discipline. There are other "drivers", combined with Level 5 -the combined package which takes the organization beyond unremarkable; Thesedrivers are;

- The First Who

- The Stockdale Paradox,

- The Buildup-Breakthrough Flywheel,

- The Hedgehog Concept

- The technology accelerators

- A Culture of Discipline

1. The First Who: The ability to identify and put the right man at the right place, Good-to-great leaders start with people first and then deal with vision and Strategy second. They get the right people on the bus, Move the wrong people off, Usher the right people to the right seats, and determine where to drive it.

2. The Stockdale Paradox: The ability to sustain through the toughest times by holding onto their beliefs. Named after Admiral James Stockdale, winner of the Medalof Honor who survived for 7 years in a Viet Cong POW camp by hanging on to two contradictory beliefs; His life couldn't be worse at the moment, and his life would someday be better than ever. Good-to-great leaders confront the most brutal facts of their current reality, yet simultaneously maintain absolute faith that they will prevail in the end. They hold both disciplines – faith and facts – at the same time, all the time.

3. Buildup-Breakthrough Flywheel: The ability to take up one thing at a time with passion and rigor .Good-to-great transformations do not happen overnight or in onebig leap rather, it starts one movement at a time, gradually building up momentum, till there is a breakthrough. Mediocre organizations never sustain the breakthrough momentum but instead lurch back and forth with radical change programmes, reactionary moves and restructuring.

4. The Hedgehog Concept The ability to find out what is the best for its organization and its people. It is well known that a hedgehog knows only one big thing very well, the hedgehog is simple and the hedgehog wins. He knows what best ignites thepassion of its people and work towards it, it knows the competitive and core strengths of its organization and helps it in achieving its goals through people and it knows very well what is the best for the organization in both monetary and non-monetary terms.

The Hedgehog-like understanding of three intersecting circles
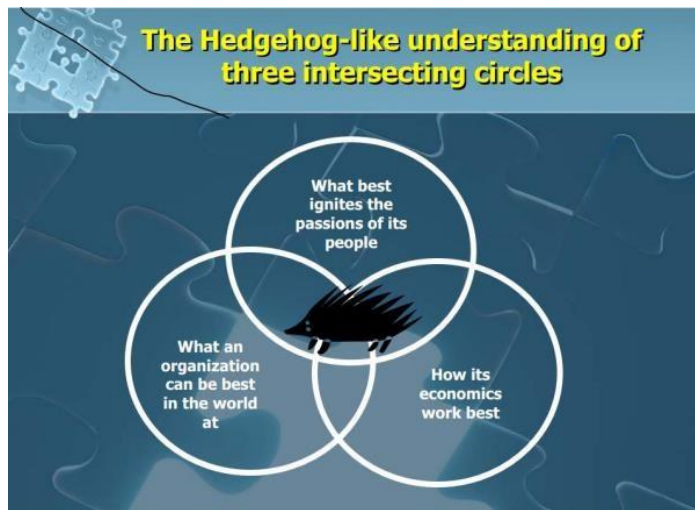
5.   Technology Accelerators

The ability to make right decisions with regard to the adoption of new technology Good-to-great organizations have a paradoxical relationship with technology. On the one hand they avoid jumping on new technology bandwagons. On the other they pioneer the application of carefully selected technologies, making bold farsighted investments directly linked to their hedgehog concept.
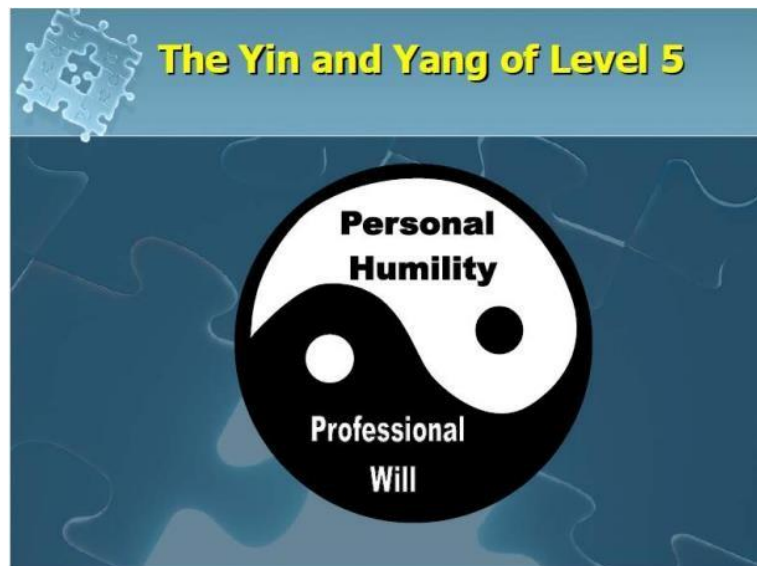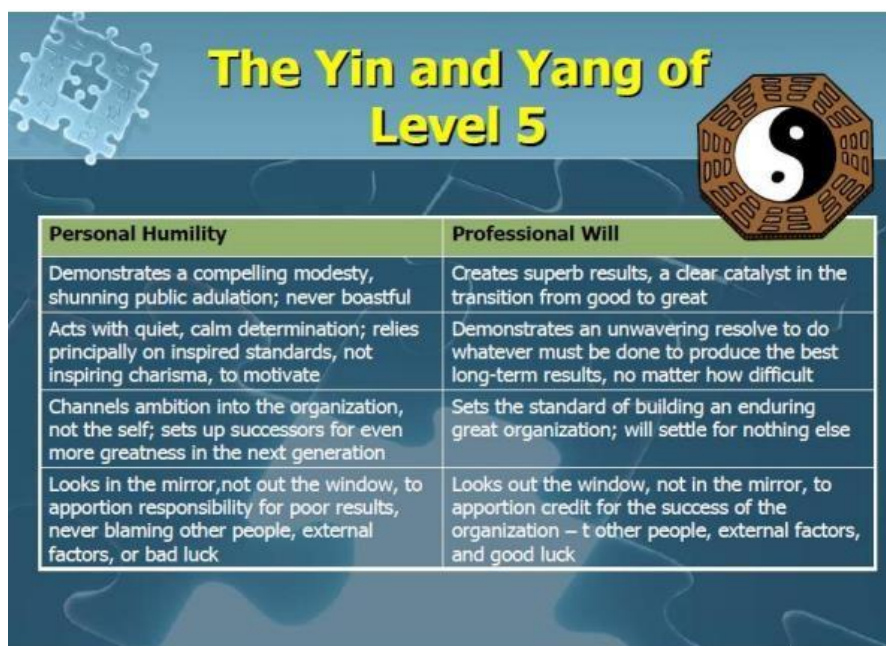
6.   A Culture of Discipline

An ability to create and sustain a culture of utmost discipline in the organization. Good-to-great organizations have three forms of discipline, combining a culture of discipline with an ethic of entrepreneurship results in great performance

Disciplined people – you don't need hierarchy, Disciplined thought – you don't need bureaucracy, and Disciplined action – you don't need excessive controls.

Level 5 Leaders exhibit a Compelling Modesty and An Unwavering Resolve

Level 5 leaders are extremely modest. They don't talk about themselves. They would talk about the organization, about the contribution of others and instinctively deflect discussion about their own role. Besides extreme humility, Level 5 leaders also display tremendous professional will. They possess inspired standards, cannot stand mediocrity in any form, and are utterly intolerant of anyone who accepts the idea that God is good enough.

Level 5 Leadership and their role in Succession Planning

The role of transformational leaders and level 5 leaders in organizations is amply manifested in their earnest efforts to succession planning for the organization which is one of the highly significant endeavors by the top management. Level 5 leaders have ambition not for themselves but for their organizations They routinely select superb successors. E.g Ratan Tata chose Cyrus Mystry as his successor, Bill gates chose Satya Nadella as his successor to Microsoft, Jack Welch chose Jim McNerny for GE (see exhibit below) , the top management at Infosys has of course been a pioneer in doing succession planning on time with Narayan Murthy passing on the reins to Nandan Nilekeni, then to S Gopalakrshnan and

now S. D.Shibulal (due to retire in 2015) They want to see their organizations become even more successful in the next generation long after they are gone. (Remember Steve jobs planned out everything for apple well in advance before leaving this world). They are Comfortable with the idea that most people won't even know that the roots of that success trace back to them, Onthe other hand Level 4 leaders often fail to set up the organization for enduring success.What better way to demonstrate your personal greatness than that the place falls apart after you leave.

10.10 LET US SUM UP

Leadership has been understood as a phenomenon which is responsible fortransforming the good organizations into great organizations. The most effective leaders have a clear sense of mission vision and direction for the business and have an ability to communicate it to their followers. They also have an incredible knack for motivating and inspiring people in the organization by being a role model themselves by walking the talk and have a tremendous measure of adaptability. The corporate world is replete with examples of leaders who have been instrumental in making their organizations what they are today. There is a new concept called Exceeder ship which entails Embedding the desire to surpass targets into the business mindset and performance. It's all about developing a performance driven culture with a can-do attitude, where there is a trust, focus, innovation and integrity, and where people are positive and optimistic, and are empowered to make decisions. There are four Leadership styles which have been discussed in the lesson; Benevolent leadership , where the Head is like a father figure, who nurtures and takes care of all the needs of its people, Critical or task centered Head is someone who believes that people are by nature lazy and shirk work (theory X) unless they are followed and supervised closely,a Developmental Head is the one who believes in the competence of his people (theory Y) and thereby educates them and makes them independent, the Level 5Leadership Style where the a leader blends genuine personal humility with intense professional will.

10.11 FURTHER READINGS

• Davis, Keith (2002), Human Behavior at Work, Tata McGraw Hill, New Delhi.

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TMH, New Delhi.

10.12 REVIEW QUESTIONS

(a) Define leadership. Explain its nature.

(b) Briefly describe the leadership styles.

(c) Leaders are managers but all managers are not leaders. Comment.

(d) "Leadership is the driving force which gets things done." Explain.

UNIT-11: LEADERSHIP MODELS

Learning objectives

After studying this unit, you will be able to:

- Define the meaning of Leadership

- Understand leadership theories.

- Types of power

- Types of leaders and power concepts and more.

11.1 INTRODUCTION

Leaders are an integral part of work and social life. In any situation, when people want to accomplish some objectives, a leader is required. Leadership occurs in all formal and informal situations. Leadership is a process by which a person influences others to accomplish an objective and directs the organisation to make it cohesive and coherent. It is a relationship in which the leader influences others to work together willingly on related tasks to attain goals desired by the leader or group.

11.2 LEADERSHIP THEORIES

11.2.1 Contingency Theory

The belief that there is no single correct or best way to manage subordinates, it entirely depends on different circumstances. Contingency or situational approaches to leadership style state that different leaders emerge to fit the situation, therefore different situations require different leadership traits or skills. Also, there is no single 'best' style of leadership, therefore the leader must act in an adaptable way, diagnosing the leadership style appropriate to the situation, but also has to apply and adopt appropriate styles given the circumstances. Contingency theories focus on variables relating often to the task and environment in order to determine which particular style of leadership is best suited. Leadership styles adopted could depend on factors such as the task, relationship between the manager and subordinate, the willingness and ability of sub-ordinates, their motivation, knowledge, skills or aptitudes to perform the job or task effectively. Therefore, effective leaders need to be flexible and adapt according to the situation. Lawrence and Lorsch (1967) concluded from their research that

there is no single best way to organize or manage people.

Therefore, management should adapt certain behaviour or different leadership styles to suit a given set of circumstances. The major problem in practice of contingency theory is that managers may need to adapt or change their own behaviour as situations change, and this is not as easy as you would expect, someone with a military background, who is by nature assertive and autocratic, would need extensive self-awareness and training in order to modify to a democratic management style.

11.2.2 Trait theory of leadership

The trait approach to leadership was one of the earliest theories of leadership. Although it is not a fully articulated theory with well-developed hypotheses, the trait approach formed the basis of most early leadership research. This approach focuses on the personal attributes (or traits) of leaders, such as physical and personality characteristics, competencies, and values. It views leadership solely from the perspective of the individual leader. Implicit in this approach is the assumption that traits produce patterns of behavior that are consistent across situations. That is, leadership traits are considered to be enduring characteristics that people are born with and that remain relatively stable over time.

These traits included the following:

• Physical vitality and stamina

• Intelligence and action-oriented judgment

• Eagerness to accept responsibility

• Task competence

• Understanding of followers and their needs

• Skill in dealing with people

• Need for achievement

• Capacity to motivate people

• Courage and resolution

• Trustworthiness

• Decisiveness

• Self-confidence

• Assertiveness

• Adaptability/flexibility

One of the concerns about such lists is that the attributes typically associated with successful leaders are often perceived as "male" traits. Reportedly, when men and women are asked about the other gender's characteristics and leadership qualities, significant patterns emerge, with both men and women tending to see successful leaders as male. But there are also some problems associated with this theory. Many early researchers found no differences between leaders and followers with respect to their leadership characteristics—some even found that individuals who possessed these traits were less likely to become leaders. Researchers also

found very small relationships between these traits and leadership effectiveness. Because so few of the traits clearly differentiated between effective and ineffective leaders, their efficacy in selecting individuals for leadership positions was severely limited. There were too many leadership variables with low reliabilities, and no rationale for selecting specific variables to include in a study. This approach has been called "dustbowl empiricism" at its worst. Additionally, there has been little systematic research on the processes by which individuals acquire the capacity for leadership. If leadership is indeed an individual difference variable, then very little is known about the origin of these differences.

11.3.3 Blake and Mouton's Managerial Grid

First developed in the 1960s, the managerial grid has been through many iterations (Blake & Mouton, 1964, 1978, 1985, 1994). It is widely accepted as a critical and important analysis of leadership behavior. It is similar in some respects to the Ohio State Studies, which combined a focus on tasks and a focus on the relationship with the subordinate. However, the managerial grid develops these concepts further by quantifying the degree to which the focus is on tasks or "concern for production/results," and the focus is on the relationship with the subordinate or "concern for people." Theo ne to nine scale in figure given below allows for discernment among the various responses regarding concern for production or people, where one represents a low concern and nine represents a high concern. Blake and McCanse (1991) postulated there

were five leadership types:

1.1—Impoverished Management: Emphasizes a situation in which there is both low concern for results and low concern about people. The apathetic nature of this leader results in behavior that is withdrawn from subordinates and indifferent to success.

1.9—Country Club Management: This combination of low concern for results with high concern for people results in a leader who is more interested in pleasing people than in the performance of tasks. This leader attempts to create an environment that is friendly and welcoming

9.1—Authority-Compliance Management: This represents a high concern for results but a low concern for people. This controlling leadership style is characterized by dictating instructions to subordinates in a way that does not show concern or compassion.

5.5—Middle of the Road Management: This style of compromise is evident in leaders who balance concern for results with satisfying relationships. The group is functioning; however, there is potential for greater success.

9.9—Team Management: Great emphasis is placed on production and on people. This optimal balance of developing human relationships and effective results attainment provides for the most satisfying work environment.

Managerial Grid
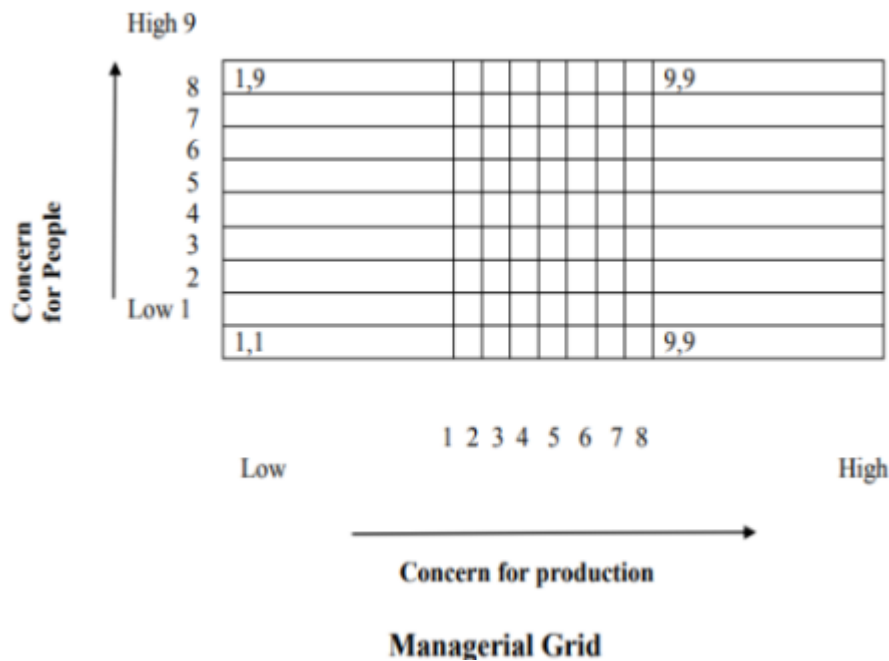
11.3 TYPES OF POWER

a) Charisma

Charisma is the power of influence inherent in a leader's style or personality. A charismatic leader develops a new, ambitious vision for the company and communicates it to employees through powerful speeches and unique behavior. The charismatic leader is also sensitive toward the needs of employees. Managers can augment their charisma by making small changes in behavior to create better rapport with others, such as making more eye contact or smiling.

b) Legitimacy

Legitimate power resides in the leader's position. People comply with legitimate requests because they feel they have to. Legitimate requests are more effective if they are made with respect and humility rather than arrogance.

c) Rewards

Influence by rewards requires offering something in return for complying with a request. Rewards should be of value to the person. Effective rewards may come in the form of public recognition and awards. More importantly, the link between behavior and reward should be clear to employees.

d) Expertise

Leaders can exercise influence by rational persuasion based on knowledge, skills or special abilities. The leader presents a plan of action with logical arguments and supporting evidence. Professionals such as lawyers, physicians and accountants draw on this type of influence.

e) Relationships

The leader's relationship network is a source of power and influence. To cultivate this type of power, managers need to identify and befriend the right people. Moreover, they should repair damaged relationships, improve their image, and seek to understand others better.

f) Empowering

To builds an effective organization, managers should avoid hoarding power. Leaders need to empower followers and teach them the effective use of power and leadership. Empowering leverages manager's influence and increases leadership effectiveness.

11.4 TYPES OF LEADERS AND POWER CONCEPT

Leaders may be categorized into the following four types:

1. Thought leaders

2. Courageous leaders

3. Inspirational leaders

4. Servant leaders

1. Thought Leaders

Thought leaders harness the power of ideas to actualize change. They stretch their followers by helping them envision new possibilities. Oliver Wendell Holmes said, "The human mind once stretched to a new idea never goes back to its original dimension."

Sometimes a new idea can bring about a paradigm shift, which may provide a new lens for viewing or a radically different context for understanding. At other times, the new idea leads to only incremental change. But all change, whether large or small, starts with a new idea.

For centuries, thought leaders have competed in the marketplace of ideas using books, papers, and oral presentations. They still do, but today they also use the Internet, social media, and other technological advances to disseminate their ideas more rapidly and broadly. E-books, blogs, e-zines, tele-seminars, and Webinars have made thought leadership instantaneously available to ordinary citizens.

2 . Courageous Leaders

Courageous leaders bravely pursue a vision in the face of considerable opposition and risks. They have strong convictions about their mission (purpose), vision (long-term goals), and values (right and wrong). They speak up for their core beliefs and fight for their values, even when their stand is unpopular. They have strong beliefs, being able to stick with them through popular and unpopular times, is the most important characteristics of a great leader."

In addition, they seek the truth and speak the truth.

Courageous leaders attract followers and motivate people to change by their willingness to take risks and stand up for their beliefs and values.

3. Inspirational Leaders

Inspirational leaders promote change by the power of their passionate commitment to ideas and ideals. They lift our eyes from present practicalities to future possibilities. Their words stir up our spirits, strengthen our convictions, and move us to action. We are eager to follow them because they call forth the best that is in us. Inspirational leaders have positive attitudes that create strong emotional connections with people. Their speech is enlivened with words such as justice, freedom, honor, respect, pride, and love. Their affirming and encouraging demeanor build the confidence of their followers and elicits their wholehearted devotion.

Their can-do attitude keeps hope alive during difficult times. Inspirational leaders create a sense of urgency by explaining why it's important to take action sooner rather than later. In addition, they describe actionable steps people need to take.

4. Servant Leaders

Servant leaders care deeply about people. They seek to remove the barriers and obstacles that hold others back from achieving their full potential. They strive to create an environment where their followers can do their best work. Servant leaders frequently ask, "How can I help?"

Servant leaders attract followers and motivate people to change by helping to remove obstacles that are in the way of their growth and development.

Successful leaders come in different shapes and sizes. No two are alike, and no single leadership style is always best. All leaders want to change the status quo, but they use different means. Some take the lead with their ideas, while others lead with their passion and conviction. Still others lead by demonstrating courage in the face of risks and the unknown, and some bring about change by serving others.

11.5 FORMAL vs INFORMAL LEADER

Formal leader is a member of organization who has given authority by virtue of his position to influence other members of organization to achieve organizational goals. An informal leader has no formal organizational authority to influence others but possesses special kills and talent to influence and lead other members of organization. Managers, directors are formal leaders in a typical organization. Informal leaders possess strong self-motivation, possess positive attitude, motivates others and puts effort to drive organizational goals. Informal leaders are best candidates for future formal leader's Important differentiator factor between formal and informal leader is, formal leader is officially bind to drive members towards organizational goal and is responsible for results or outcome of efforts at the end. Informal leader does not have such official commitment towards group's goal or organization goal and may not be directly responsible for final results and may not be accountable for it. Formal leader has official responsibility towards organizational goals, has formal job description. Informal leader might not have formal job description to lead and motivate others and job description might be limited to certain task. Leading is one of principal managerial functions. Managers are supposed to be formal leaders because they have the authority to influence their subordinates and are expected to use it. They are officially responsible for outcome of their group. However, in an organization, not all managers are leaders, whether they have direct reports or not. In certain cases job description might demand strong leadership, on other hand leadership might not be major factor. However, in today's competitive world, most of the managerial jobs demand leadership qualities, inter personal and inter group interaction and a manager has to manage different type of responsibilities and roles. A leader influences other member of groups, leads group, and directs members towards its goals. A leader influences subordinate's level of motivation, their performance and quality of their decisions. A leader may succeed or many not succeed to help organization achieve its goal. Effective leader helps organization achieve goal, an ineffective leader does not. Managers are formal leaders and should possess strong leadership qualities to achieve organizational goals.

11.6 LET US SUM UP

This unit has discussed about leadership as a process of influence on others to work willingly for group objective along with various different leadership styles, like style, theory X and Y styles, Styles have been related to various theories of leadership such as Trait theory, Managerial Grid theory, Contingency Theory .In the context of leadership and influence process, various types of power such as legitimate power, reward power, expert power, charismatic power, and coercive power are explained. Based on the types of power, formal and informal leaders are compared along with four types of leaders. Leadership has been understood as a phenomenon which is responsible fortransforming the good organizations into great organizations. The most effective leaders have a clear sense of mission vision and direction for the business and have an ability to communicate it to their followers. They also have an incredible knack for motivating and inspiring people in the organization by being a role model themselves by walking the talk and have a tremendous measure of adaptability

Contingency Theory: A theory that considers an organization's objectives, environment and leadership skills, as interacting and affecting the effectiveness of a leader.

• Employee Orientation: Stresses the relationship aspect of the job.

• Hawthorne Effect: When worker's behaviour changes and productivity increase because the workers become aware of their importance.

• Leadership: The ability to influence the behaviour of others. The task is to help the group reach both organisational and personal goals.

• Managerial Grid Theory: The theory suggests that each manager must be concerned about both production (structure) and people (consideration).

• Production Orientation: Stresses the production and the technical aspects of the job. Employees are seen as tools to accomplish the goals of the organisation.

• Theory X, Theory Y: McGregor's theory that behind every management decision, there is a set of assumptions that a manager makes about human behaviour. The theory X manager assumes that people are lazy, dislike work, want no responsibility and prefer to be closely directed. The theory Y manager assumes that people seek responsibility, like to work and are committed to doing good work if rewards are received for achievement.

• Trait Theory: This theory attempts to specify which personal characteristics (physical, personality) are associated with leadership success. Trait-theory relies on research that relates various traits to success criteria of a leader.

• Formal Leadership: A manager is a formal leader by virtue of authority coming from the organisation that a formal leader is usually selected by the organisation. Informal Leadership: An informal leader is chosen by an individual or a group.

11.7 FURTHER READINGS

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11.8 MODEL QUESTIONS

1. Comment on the five main leadership positions depicted in management grid. Which one would you advocate and why?

2. Leaders are managers but all managers are not leaders. Comment.

3. "Leadership is the driving force which gets things done." Explain.

4. Is it possible to be both a task-oriented and people-oriented leader?

5. Distinguish between leadership and management.

6. Describe leadership theories.

UNIT-12 : STAFFING

Structure

LEARNING OBJECTIVES

After completing this module, the students will be able to
- Know the meaning and importance of staffing.
- Know the nature of staffing
- Know the process and functions of staffing

12.1 INTRODUCTION

After planning and organizing the next function of management is 'Staffing' .It is important to have a good organization structure, but it is even more important to fill the positions with the right people at the right time. Staffing is filling and keeping the position provided by the organization structure with right kind of people at the right place. All the managers have a responsibility for staffing. The staffing function deals with the human elements of management. This function has assumed significant importance because of advancement of technology, growth in size of organizations and complex human behaviour.

12.2 MEANING AND DEFINITIONS

Staffing is the third function of management. Staffing includes recruitment, selection, training, developing, promotion and compensation of personnel. It is the process of hiring and developing the required personnel to fill various positions in the organization. It involves estimating the number and type of personnel required, recruiting and developing them, maintaining and improving their competence and performance.

Staffing may also be defined as the process of identifying, assessing, placing, developing and evaluating individuals at work.

According to **Koontz and O'Donnell,** "Staffing involves manning the organization structure through proper and effective selection appraisal and development of personal to fill the roles designed into the structure."

According to **Mc Farland**," The staffing function of management consists of few interrelated activities such as planning of human resource, recruitment, selection, placement, training and development, remuneration, performance appraisal, promotion and transfers. All these activities make up the elements of the process of staffing."

12.3 IMPORTANCE OF STAFFING

Staffing is people centered. Success in dealing with people depends on the extent to which they are perceived as making realistic contribution to the solutions of managerial issues. We must bear in mind that every manager is expected to perform this function because he is engaged in getting things done through and with other people. There are various benefits of proper and efficient staffing. These are as under:

a) Helps in finding efficient worker - Staffing helps in discovering talents. For achievement of organizational goals, engaging competent workers and developing them to work more efficiently are prime concern of the organisation.

b) Helps in increased Productivity – Staffing ensures greater productivity by putting right man at the right job. It helps in improved productivity through proper selection as per the job requirement.

c) Maintains Harmony - Staffing maintains harmony in the organisation. Through proper recruitment, selection, training and continuous appraisals, individuals are not just selected but developed to boost their performance and contributions. This gives everyone an equal opportunity for getting better compensation which eventually resulted in peace and harmony.

d) Helps in morale boosting - Boosting of morale of the employees is directly related to employee's satisfaction. Through various training and development programmers their knowledge, skills and abilities improve. This gives them a feeling of security and assured them of their career advancement.

e) Helps in Optimum utilization of human resources - Manpower Planning provides a basis for recruitment, transfer and training of employees. Deficiency or surplus of manpower is revealed in advance and adequate steps are taken for optimum utilisation of the Human resource.

12.4 STAFFING PROCESS

Staffing function is performed by all managers at all levels. However, its scope is different in small and large organization. In large organization there is a separate department called Human Resources Department (HRD), with specialists to manage the people. Staffing is an inherent part of Human Resources Management as it is the practice of finding evaluating and establishing a working relationship with people.

Following are the steps involved in staffing process:

1. Manpower planning- Estimation of manpower requirements in the future is the first stage in the staffing process. It is known as manpower or human resources planning. Its purpose is to make right kind of personnel available so that there is no surplus or shortage of people in any department. To determine the qualifications needed to meet the requirements of jobs, the organisation first of all has to analyse the jobs, write the jobs description and prepare job specifications.

2. Recruitment - Once the manpower requirement is known, the process of recruitment starts. It is the process of identifying the sources for prospective candidates and to explore the methods to ensure them to apply for the jobs. The process of recruitment and the cost involved in it depends on the size of the undertaking, types and numbers to be recruited. The sources of recruitment can be through:

a) Internal sources through promotions and transfers of existing employees and succession planning.

b) External Sources denote recruitment from outside through employment exchange, manpower

supply agencies, advertisement, campus recruitment, poaching, reference etc.

3. Selection - The process of selection leads to employment of persons who fulfils the eligibility criteria like: qualifications, experience etc. to fit in to the job-profile. However, the candidates are to go through a process, which is known as selection process. This process begins with tests, interviews, shortlisting, medical examination etc. Selection is frequently described as a process of rejection, as it eliminates all the candidates those who do not match up to the requirements of the job offered. As the employees are placed in the jobs for which they are best suited, they derive maximum job satisfaction reducing the labour turnover and increasing the overall efficiency of the organization. The candidates have to go through the whole selection process of an organization as stated above. Tests may be written, on the job skill test to determine the level of Knowledge, skills and attitude. Interviews are conducted to have an interaction with the potential employee to judge his personality, emotional maturity, aptitude and attitude. This also gives a chance to the candidate to explain, why he should be selected. There are different types of interviews like, one to one panel, stress etc. In most cases, Group Discussion is also conducted to assess the leadership quality of the candidates.GD is conducted mostly for junior and middle level executives. Certain MNCs also conduct informal interviews over lunch or dinner and sometimes through telephones or video conferencing. The idea is to get to know the candidate maximum in minimum time as the organisation is going to invest a fortune in him.

4. Placement- The candidate selected for appointment are to be offered specific jobs. A Personnel should be placed in a position where there is full use of his capabilities. Proper placement reduces demotivation, inefficiency, turnover and absenteeism. Almost all the organisation schedules a training programme for the newly selected candidates before they are put in the designated position.

5. Training and Development- Training is an organized activity for increasing the knowledge, skills and attitude of the people for a definite purpose. Its purpose is to achieve a change in the behaviour of the employees so as to make them befitting for the designated job. Training is imparted for capacity building and enable them to contribute their best. Their jobs better. The initiative for training generally comes from the management. Development emphasizes on growth of an individual. It's a continuous process for holistic development of the employees. According to **Edwin B Flippo** ' Training is the act of increasing the knowledge and skills of an employee for doing a particular job.'

Types The training may be of
I. On the Job Training
II. Off the Job Training

I. On the Job Training: It refers to the learning while actually performing a particular work or job. This type of training is more suitable to every type of employees. It includes:
   a. On specific job training
   b. Rotation of position /job rotation
   c. Special projects
   d. Apprenticeship training/Mentoring

II. Off the Job Training: Under this method, a trainee is removed from his normal working place and spends his full time for training purpose in any other place- training institutes, tourist resorts/hotels with professional or in-house trainers. It includes:

a. Induction or on-board training

b. Intensive training

c. Conference

d. Case study

e. Role playing

f. Management games

g. Vestibule/simulation training

6. **Performance Appraisal** is a formal procedure to evaluate contributions of an employees to the organisation. It also reveals efficiency, attitude and other qualities of the assessee, which form the basis for his training need and career path.

Objectives of Performance Appraisal:

- To help a manager to decide the increase in pay on ground of merits.
- To find out the training needs.
- To nominate employees for training programs.
- To motivate the employees to do better in his or her present job.
- To contribute to the growth and development of an employee.
- To identify employees for deputation to other organizations
- To help in creating a desirable work culture in the organization.

7. Promotion and Transfers are affected on the basis of feedback report of employees' performance. Transfer means shifting of an employee from one job to another or one department to other on promotion or due to change in organization structure/changes in the volume of work.

8. Compensation offered by organizations must be competitive not only during the tenure of the employee but also after his retirement to attract and retain talented employees. Compensation like salary, wages, incentives, bonus etc. to workers will vary depending upon the nature of jobs, skills required, risk involved, nature of work etc.

9. Separation comes eventually in all types of jobs. It may be on retirement or superannuation, resignation, dismissal etc. Honorably retired employees must be given a memorable send-off as a mark of respect to his contributions. Few organisations do also conduct short training programme for employees on the verge of retirement. In case of resignations, exit interview is conducted.

Thus, staffing plays a vital role in human resource planning. It ensures best utilization of manpower in the organization.

12.5 LET US SUM-UP

Staffing is an integral part of the process of management. It may be defined as the process of hiring and developing and maintaining the required manpower to fill the various positions in the organisation through recruitment, selection, placement, promotion, transfer, training and development of employees of the organisation till separation. It,s importance can be assessed from the following definition of P. F.Drucker. It says, "Man, of all the resources available to man, can grow and develop".

Staffing provides human resources to the organization which are the most important resources of any organisation. Men and material remain useless in absence of human resources. It is imperative that organisation that right kind of people are employed at right positions. If people are not competent, functions such as planning, organisation, directing and controlling can't be performed effectively and an organisation will not be able to achieve its goals.

12.6 KEY-WORDS

- Skill - Expertise, tact or ability.
- Aptitude - Potential to learn.
- Bonus - Reward for performance.
- Onboard - Induction (Training on joining)
- Vestibule training - Near the job(training)
- Simulation - (Training in) True to life environment

12.7 FURTHER READINGS

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12.8 MODEL QUESTIONS

1. Why staffing is an important function?
2. What are the important steps in Staffing process? Explain.
3. Explain the following terms:
   a. Recruitment
   b. Short listing
   c. Simulation training
   d. Stress interview
   e. Performance appraisal

BLOCK-4: MOTIVATION, COORDINATION AND CONTROL

UNIT-13: MOTIVATION: CONCEPT AND IMPORTANCE

UNIT-14: THEORIES OF MOTIVATION

UNIT-15: COORDINATION

UNIT-16: CONTROL

UNIT-13: MOTIVATION: CONCEPT AND IMPORTANCE

Structure:

13.1 Introduction and meaning of Motivation
13.2 Nature of Motivation
13.3 Importance of Motivation
13.4 Motivation incentives
13.5 Motivational Challenges
13.6 Let Us Sum Up
13.7 Further Readings
13.8 Model Question

LEARNING OBJECTIVES

After completing this unit, you will be able to:
• Understand the concept and meaning of motivation,
• Understand the nature of the motivation,
• Describe the importance of the motivation and

13.1 INTRODUCTION AND MEANING OF MOTIVATION

Motivation is the word derived from the word 'motive' which means needs, desires, wants or drives within the individuals. It is the process of stimulating people to actions to accomplish the goals. In the work goal context, the psychological factors stimulating the people's behaviour can be -
• Desire for money
• Success
• Recognition
• Job-satisfaction
• Team work, etc.

One of the most important functions of management is to create willingness amongst the employees to perform in the best of their abilities. Therefore, the role of a leader is to arouse interest in performance of employees in their jobs. The process of motivation consists of three stages: -

1. A felt need or drive
2. A stimulus in which needs have to be aroused
3. When needs are satisfied, the satisfaction or accomplishment of goals.

Therefore, it can be said that motivation is a psychological phenomenon which means needs and wants of the individuals have to be tackled by framing an incentive plan.

13.2 Nature of Motivation

(a) **Internal Force:** Internal feeling of a person is motivation. It is an internal force which comes internally in those people who are engaged in the organisation. Motivation is never be

measured with the help of Quantitative terms. Action and performance of people in the organisation depicts that how motivated they are towards doing their respective job.

(b) **Effect of environmental factors:** Organisational internal environment affects the productivity of an organisation. Poor working conditions, labour management conflicts, autocratic style of management and many other factors are there which hinder the growth process. Contrarily, clean and quiet environment establishes strong and healthy cordial relationship between organisation and workers to contribute their best in achieving organisational output.

(c) **Ongoing Process**: Motivation is a continuous process as the manager identifies the needs and observe the behaviours of workers. Accordingly, a manager takes actions which influence the working employees within the organisation. It has needs-behaviour-action approach.

(d) **Pervasive Function**: All the persons engage in an organisation whether he is in the position of managerial or non-managerial need to be motivated. From top level to low level of management contributes their efforts in achieving organisational goals and through them their personal goals.

(e) **Complicated process:** Understanding human needs is a difficult task and motivation itself is a complicated and difficult task.

(f) **Skilled managers:** Needs are ever-changing. Sometimes, individual himself not clear about his need priority. It becomes complicated to satisfy needs of persons. Different people have different needs from the same work at different or same point of time. Persons engage in an organisation need motivators to satisfy their needs. Satisfaction is not always in the monetary form. Sometimes, it will be in the form of non-monetary i.e., status and power. Managers have to be skilled in motivating their employees. A skilled manager knows the ways to motivate them and was greatly emphasized upon in a study conducted on motivation.

(g) **Positive and negative motivation:** Positive motivation refers to rewards in the monetary and non-monetary form which are given to employees for their contribution towards achieving organisational objectives. Negative motivation is punishments and penalties which often not used, can also be effective in influencing the human behaviour.

(h) **Goal-directed:** Motivation aims at directing behaviour towards organisational goals. Managers have to adopt motivators that directs human behaviour towards personal and organisational need and satisfaction.

13.3 Importance of Motivation

Motivation is a very important for an organization because of the following benefits it provides:

Puts human resources into action: Every concern requires physical, financial and human resources to accomplish the goals. It is through motivation that the human resources can be utilized by making full use of it. This can be done by building willingness in employees to work. This will help the enterprise in securing best possible utilization of resources.

Improves level of efficiency of employees: The level of a subordinate or an employee does not only depend upon his qualifications and abilities. For getting best of his work performance, the gap between ability and willingness has to be filled which helps in improving the level of performance of subordinates. This will result into-

- Increase in productivity
- Reducing cost of operations, and

- Improving overall efficiency

Leads to achievement of organizational goals: The goals of an enterprise can be achieved only when the following factors take place: - There is best possible utilization of resources, there is a co-operative work environment, The employees are goal- directed and they act in a purposive manner Goals can be achieved if co-ordination and co-operation takes place simultaneously which can be effectively done through motivation.

Builds friendly relationship: Motivation is an important factor which brings employee's satisfaction. This can be done by keeping into mind and framing an incentive plan for the benefit of the employees. This could initiate the following things:

- Monetary and non-monetary incentives,
- Promotion opportunities for employees,
- Disincentives for inefficient employees.

In order to build a cordial, friendly atmosphere in a concern, the above steps should be taken by a manager. This would help in: Effective co-operation which brings stability, Industrial dispute and unrest in employees will reduce, the employees will be adaptable to the changes and there will be no resistance to the change, this will help in providing a smooth and sound concern in which individual interests will coincide with the organizational interests, this will result in profit maximization through increased productivity.

Leads to stability of work force: Stability of workforce is very important from the point of view of reputation and goodwill of a concern. The employees can remain loyal to the enterprise only when they have a feeling of participation in the management. The skills and efficiency of employees will always be of advantage to employees as well as employees. This will lead to a good public image in the market which will attract competent and qualified people into a concern. As it is said, "Old is gold" which suffices with the role of motivation here, the older the people, more the experience and their adjustment into a concern which can be of benefit to the enterprise.

From the above discussion, we can say that motivation is an internal feeling which can be understood only by manager since he is in close contact with the employees. Needs, wants and desires are inter-related and they are the driving force to act. These needs can be understood by the manager and he can frame motivation plans accordingly. We can say that motivation therefore is a continuous process since motivation process is based on needs which are unlimited. The process has to be continued throughout.

We can summarize by saying that motivation is important both to an individual and a business. Motivation is important to an individual as:

Motivation will help him achieve his personal goals. If an individual is motivated, he will have job satisfaction. Motivation will help in self-development of individual. An individual would always gain by working with a dynamic team. Similarly, motivation is important to a business as the more motivated the employees are, the more empowered the team is, the more is the team work and individual employee contribution, more profitable and successful is the business. During period of amendments, there will be more adaptability and creativity. Motivation will lead to an optimistic and challenging attitude at work place.

13.4 Motivation incentives

Incentive is an act or promise for greater action. It is also called as a stimulus to greater action. Incentives are something which are given in addition to wagers. It means additional

remuneration or benefit to an employee in recognition of achievement or better work. Incentives provide a spur or zeal in the employees for better performance. It is a natural thing that nobody acts without a purpose behind. Therefore, a hope for a reward is a powerful incentive to motivate employees. Besides monetary incentive, there are some other stimuli which can drive a person to better. This will include job satisfaction, job security, job promotion, and pride for accomplishment. Therefore, incentives really can sometimes work to accomplish the goals of a concern. The need of incentives can be many: -

- To increase productivity,
- To drive or arouse a stimulus work,
- To enhance commitment in work performance,
- To psychologically satisfy a person which leads to job satisfaction,
- To shape the behavior or outlook of subordinate towards work,
- To inculcate zeal and enthusiasm towards work,
- To get the maximum of their capabilities so that they are exploited and utilized maximally.

Therefore, management has to offer the following two categories of incentives to motivate employees:

Monetary incentives- Those incentives which satisfy the subordinates by providing them rewards in terms of rupees. Money has been recognized as a chief source of satisfying the needs of people. Money is also helpful to satisfy the social needs by possessing various material items. Therefore, money not only satisfies psychological needs but also the security and social needs. Therefore, in many factories, various wage plans and bonus schemes are introduced to motivate and stimulate the people to work.

Non-monetary incentives- Besides the monetary incentives, there are certain non-financial incentives which can satisfy the ego and self- actualization needs of employees. The incentives which cannot be measured in terms of money are under the category of "Non-monetary incentives". Whenever a manager has to satisfy the psychological needs of the subordinates, he makes use of nonfinancial incentives.

Non-financial incentives can be of the following types: -

Security of service- Job security is an incentive which provides great motivation to employees. If his job is secured, he will put maximum efforts to achieve the objectives of the enterprise. This also helps since he is very far off from mental tension and he can give his best to the enterprise.

Praise or recognition- The praise or recognition is another non- financial incentive which satisfies the ego needs of the employees. Sometimes praise becomes more effective than any other incentive. The employees will respond more to praise and try to give the best of their abilities to a concern.

Suggestion scheme- The organization should look forward to taking suggestions and inviting suggestion schemes from the subordinates. This inculcates a spirit of participation in the employees. This can be done by publishing various articles written by employees to improve the work environment which can be published in various magazines of the company. This also is helpful to motivate the employees to feel important and they can also be in search for innovative methods which can be applied for better work methods. This ultimately helps in growing a concern and adapting new methods of operations.

Job enrichment- Job enrichment is another non- monetary incentive in which the job of a worker can be enriched. This can be done by increasing his responsibilities, giving him an important designation, increasing the content and nature of the work. This way efficient worker can get challenging jobs in which they can prove their worth. This also helps in the greatest motivation of the efficient employees.

Promotion opportunities- Promotion is an effective tool to increase the spirit to work in a concern. If the employees are provided opportunities for the advancement and growth, they feel satisfied and contented and they become more committed to the organization.

The above non-financial tools can be framed effectively by giving due concentration to the role of employees. A combination of financial and non-financial incentives helps together in bringing motivation and zeal to work in a concern.

Positive Incentives

Positive incentives are those incentives which provide a positive assurance for fulfilling the needs and wants. Positive incentives generally have an optimistic attitude behind and they are generally given to satisfy the psychological requirements of employees.

For example-promotion, praise, recognition, perks and allowances, etc. It is positive by nature.

Negative Incentives

Negative incentives are those whose purpose is to correct the mistakes or defaults of employees. The purpose is to rectify mistakes in order to get effective results. Negative incentive is generally resorted to when positive incentive does not work and a psychological set back has to be given to employees. It is negative by nature. For example- demotion, transfer, fines, penalties.

13.5 Motivational Challenges

Motivation seems to be a simple function of management in books, but in practice it is more challenging. The reasons for motivation being challenging job are as follows: One of the main reasons of motivation being a challenging job is due to the changing workforce. The employees become a part of their organization with various needs and expectations. Different employees have different beliefs, attitudes, values, backgrounds and thinking. But all the organizations are not aware of the diversity in their workforce and thus are not aware and clear about different ways of motivating their diverse workforce. Employees motives cannot be seen, they can only be presumed. Suppose, there are two employees in a team showing varying performance despite being of same age group, having same educational qualifications and same work experience. The reason being what motivates one employee may not seem motivating to other.

Motivation of employees becomes challenging especially when the organizations have considerably changed the job role of the employees, or have lessened the hierarchy levels of hierarchy, or have chucked out a significant number of employees in the name of down-sizing or right-sizing. Certain firms have chosen to hire and fire and paying for performance strategies nearly giving up motivational efforts. These strategies are unsuccessful in making an individual overreach himself. The vigorous nature of needs also pose challenge to a manager in motivating his subordinates. This is because an employee at a certain point of time has diverse needs and expectations. Also, these needs and expectations keep on changing and might also clash with each other. For instance-the employees who spend extra time at work

for meeting their needs for accomplishment might discover that the extra time spent by them clash with their social needs and with the need for affiliation.

13.6 Let Us Sum Up

Motivation is the activation of goal-oriented behaviour. It is to give reason, incentive, enthusiasm, or interest that causes a specific action or certain behaviour. The internal needs and drives lead to tensions, which in turn result into actions. The need for food results into hunger and hence a person is motivated to eat. Motivation is said to be intrinsic or extrinsic. Intrinsic motivation is internal. It occurs when people are compelled to do something out of pleasure, importance, or desire. Extrinsic motivation occurs when external factors compel the person to do something. It comes from outside of the performer. Motivation is seen as a process that leads to the forming of behavioral intentions. Motivation and volition refer to goal setting and goal

pursuit, respectively. Both processes require self-regulatory efforts. Aggressive motivation or the desires to inflict harm on others, play an all-too-common role in human behaviour. Achievement motivation (often termed as need for motivation) is the desire to accomplish difficult tasks and to excel. Emotions are reactions consisting of subjective cognitive states, physiological reactions and expressive behaviors.

13.7 Further Readings

1. Heckhausen, J., and H. Heckhausen. (2008), Motivation and action, Cambridge Univ. Press, New York.
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13.8 Model Question

1. What are the major challenges in motivation?
2. Are morale and motivation same or different? Explain in detail.
3. An individual cannot be motivated externally until the individual is not ready internally. Do you agree or disagree, give reasons for your answer.

UNIT-14: THEORIES OF MOTIVATION

Structure:

14.1 Introduction
14.2 Theories of Motivation
14.3 Motivation and Morale - Relationship and Differences
14.4 Let us Sum Up
14.5 Further Readings
14.6 Model Questions

LEARNING OBJECTIVES

After completing this unit, you will be able to:
- Define different theories of motivation.
- Distinguish between motivation and morale.

14.1 INTRODUCTION

Motivation is an expenditure of efforts towards goals. Motivation is the word derived from the word 'motive' which means needs, desires, wants or drives within the individuals. It is the process of stimulating people to actions to accomplish the goals. It is a complex force because the factors that motivates people are complex and difficult. For some persons financial incentive matters and for other non-financial incentive matters. Judging different point of views is tough for the manager. Only a skilled manager can do such type of task. A manager is a good leader as well as motivator who helps in achieving vision and missions of an organisation.

One of the most important functions of management is to create willingness amongst the employees to perform in the best of their abilities. Therefore, the role of a leader is to arouse interest in performance of employees in their jobs.

Motivation is a psychological phenomenon which means needs and wants of the individuals have to be tackled by framing an incentive plan. Human behaviour, being complex in nature of needs-behaviour-action process, different motivational theories emphasize on these elements in different perspectives. All the theories of motivation are focuses on the relationship of individual needs and perception about how to satisfy them.in different ways. Some of the theories are discussed in this chapter below.

14.2 THEORIES OF MOTIVATION

A. Maslow's Hierarchy of Needs Theory:

Abraham Maslow is well renowned for proposing the Hierarchy of Needs Theory in 1943. This theory is a classical depiction of human motivation. This theory is based on the assumption that there is a hierarchy of five needs within each individual. The urgency of these needs varies. These five needs are as follows:

Physiological needs- These are the basic needs of air, water, food, clothing and shelter. In other words, physiological needs are the needs for basic amenities of life.

Safety needs- Safety needs include physical, environmental and emotional safety and

protection. For instance- Job security, financial security, protection from animals, family security, health security, etc.

Social needs- Social needs include the need for love, affection, care, belongingness, and friendship.

Esteem needs- Esteem needs are of two types: internal esteem needs (self-respect, confidence, competence, achievement and freedom) and external esteem needs (recognition, power, status, attention and admiration)

Self-actualization need- This include the urge to become what you are capable of becoming what you have the potential to become. It includes the need for growth and self-contentment. It also includes desire for gaining more knowledge, social- service, creativity and being aesthetic. The self-actualization needs are never fully satiable. As an individual grows psychologically, opportunities keep cropping up to continue growing.

According to Maslow, individuals are motivated by unsatisfied needs. As each of these needs is significantly satisfied, it drives and forces the next need to emerge. Maslow grouped the five needs into two categories - Higher-order needs and Lower-order needs. The physiological and the safety needs constituted the lower-order needs. These lower-order needs are mainly satisfied externally. The social, esteem, and self-actualization needs constituted the higher-order needs. These higher-order needs are generally satisfied internally, i.e., within an individual. Thus, we can conclude that during boom period, the employees lower-order needs are significantly

Maslow's Need Hierarchy Model

Implications of Maslow's Hierarchy of Needs Theory for Managers As far as the physiological needs are concerned, the managers should give employees appropriate salaries to purchase the basic necessities of life. Breaks and eating opportunities should be given to employees.

- As far as the safety needs are concerned, the managers should provide the employees job security, safe and hygienic work environment, and retirement benefits so as to retain them.

- As far as social needs are concerned, the management should encourage teamwork and organize social events.
- As far as esteem needs are concerned, the managers can appreciate and reward employees on accomplishing and exceeding their targets. The management can give the deserved employee higher job rank / position in the organization.
- As far as self-actualization needs are concerned, the managers can give the employees challenging jobs in which the employees' skills and competencies are fully utilized.

Moreover, growth opportunities can be given to them so that they can reach the peak. The managers must identify the need level at which the employee is existing and then those needs can be utilized as push for motivation.

Limitations of Maslow's Theory

It is essential to note that not all employees are governed by same set of needs. Different individuals may be driven by different needs at same point of time. It is always the most powerful unsatisfied need that motivates an individual. The theory is not empirically supported. The theory is not applicable in case of starving artist as even if the artist's basic needs are not satisfied, he will still strive for recognition and achievement.

B. Herzberg's Two-Factor Theory of Motivation

In 1959, Frederick Herzberg, a behavioral scientist proposed a two-factor theory or the motivator-hygiene theory. According to Herzberg, there are some job factors that result in satisfaction while there are other job factors that prevent dissatisfaction.

According to Herzberg, the opposite of "Satisfaction" is "No satisfaction" and the opposite of "Dissatisfaction" is "No Dissatisfaction". Herzberg classified these job factors into two categories:

Hygiene factors- Hygiene factors are those job factors which are essential for existence of motivation at workplace. These do not lead to positive satisfaction for long-term. But if these factors are absent / if these factors are non-existent at workplace, then they lead to dissatisfaction. In other words, hygiene factors are those factors which when adequate/reasonable in a job, pacify the employees and do not make them dissatisfied.

These factors are extrinsic to work. Hygiene factors are also called as dissatisfiers or maintenance factors as they are required to avoid dissatisfaction. These factors describe the job environment/scenario. The hygiene factors symbolized the physiological needs which the individuals wanted and expected to be fulfilled.

Hygiene factors include: Pay - The pay or salary structure should be appropriate and reasonable. It must be equal and competitive to those in the same industry in the same domain.

Company Policies and administrative policies - The company policies should not be too rigid. They should be fair and clear. It should include flexible working hours, dress code, breaks, vacation, etc.

Fringe benefits - The employees should be offered health care plans (Mediclaim), benefits for the family members, employee help programs, etc.

Physical Working conditions - The working conditions should be safe, clean and hygienic. The work equipment should be updated and well-maintained.

Status - The employees' status within the organization should be familiar and retained.

Interpersonal relations - The relationship of the employees with his peers, superiors and subordinates should be appropriate and acceptable. There should be no conflict or humiliation

element present.

Job Security - The organization must provide job security to the employees.

Motivational factors- According to Herzberg, the hygiene factors cannot be regarded as motivators. The motivational factors yield positive satisfaction. These factors are inherent to work. These factors motivate the employees for a superior performance. These factors are called satisfiers. These are factors involved in performing the job. Employees find these factors intrinsically rewarding. The motivators symbolized the psychological needs that were perceived as an additional benefit. Motivational factors include:

Recognition - The employees should be praised and recognized for their accomplishments by the managers. Sense of achievement - The employees must have a sense of achievement. This depends on the job. There must be a fruit of some sort in the job.

Growth and promotional opportunities - There must be growth and advancement opportunities in an organization to motivate the employees to perform well.

Responsibility - The employees must hold themselves responsible for the work. The managers should give them ownership of the work. They should minimize control but retain accountability.

Meaningfulness of the work - The work itself should be meaningful, interesting and challenging for the employee to perform and to get motivated.

Limitations of Two-Factor Theory:

The two-factor theory is not free from limitations:

The two-factor theory overlooks situational variables. Herzberg assumed a correlation between satisfaction and productivity. But the research conducted by Herzberg stressed upon satisfaction and ignored productivity.

The theory's reliability is uncertain. Analysis has to be made by the raters. The raters may spoil the findings by analyzing same response in different manner.

No comprehensive measure of satisfaction was used. An employee may find his job acceptable despite the fact that he may hate/object part of his job. The two-factor theory is not free from bias as it is based on the natural reaction of employees when they are enquired the sources of satisfaction and dissatisfaction at work. They will blame dissatisfaction on the external factors such as salary structure, company policies and peer relationship. Also, the employees will give credit to themselves for the satisfaction factor at work. The theory ignores blue-collar workers.

Implications of Two-Factor Theory

The Two-Factor theory implies that the managers must stress upon guaranteeing the adequacy of the hygiene factors to avoid employee dissatisfaction. Also, the managers must make sure that the work is stimulating and rewarding so that the employees are motivated to work and perform harder and better. This theory emphasizes upon job-enrichment so as to motivate the employees. The job must utilize the employee's skills and competencies to the maximum. Focusing on the motivational factors can improve work-quality.

C. **Theory X and Theory Y**

In 1960, Douglas McGregor formulated Theory X and Theory Y suggesting two aspects of human behaviour at work, or in other words, two different views of individuals (employees): one of which is negative, called as Theory X and the other is positive, so called as Theory Y.

According to McGregor, the perception of managers on the nature of individuals is based on various assumptions.

Assumptions of Theory X

An average employee intrinsically does not like work and tries to escape it whenever possible. Since the employee does not want to work, he must be persuaded, compelled, or warned with punishment so as to achieve organizational goals. A close supervision is required on part of managers. The managers adopt a more dictatorial style. Many employees rank job security on top, and they have little or no aspiration/ ambition.

Employees generally dislike responsibilities. Employees resist change. An average employee needs formal direction.

Assumptions of Theory Y

Employees can perceive their job as relaxing and normal. They exercise their physical and mental efforts in an inherent manner in their jobs. Employees may not require only threat, external control and coercion to work, but they can use self-direction and self- control if they are dedicated and sincere to achieve the organizational objectives. If the job is rewarding and satisfying, then it will result in employees' loyalty and commitment to organization. An average employee can learn to admit and recognize the responsibility. In fact, he can even learn to obtain responsibility. The employees have skills and capabilities. Their logical capabilities should be fully utilized. In other words, the creativity, resourcefulness and innovative potentiality of the employees can be utilized to solve organizational problems.

Thus, we can say that Theory X presents a pessimistic view of employees' nature and behaviour at work, while Theory Y presents an optimistic view of the employees' nature and behaviour at work. If correlate it with Maslow's theory, we can say that Theory X is based on the assumption that the employees emphasize on the physiological needs and the safety needs; while Theory X is based on the assumption that the social needs, esteem needs and the self-actualization needs dominate the employees.

McGregor views Theory Y to be more valid and reasonable than Theory X. Thus, he encouraged cordial team relations, responsible and stimulating jobs, and participation of all in decision-making process.

Implications of Theory X and Theory Y

Quite a few organizations use Theory X today. Theory X encourages use of tight control and supervision. It implies that employees are reluctant to organizational changes. Thus, it does not encourage innovation.

Many organizations are using Theory Y techniques. Theory Y implies that the managers should create and encourage a work environment which provides opportunities to employees to take initiative and self-direction.

Employees should be given opportunities to contribute to organizational well-being. Theory Y encourages decentralization of authority, teamwork and participative decision making in an organization. Theory Y searches and discovers the ways in which an employee can make significant contributions in an organization. It harmonizes and matches employees' needs and aspirations with organizational needs and aspirations.

D. ERG Theory of Motivation

To bring Maslow's need hierarchy theory of motivation in synchronization with empirical research, Clayton Alderfer redefined it in his own terms. His rework is called as ERG theory of motivation. He recategorized Maslow's hierarchy of needs into three simpler and broader classes of needs:

Existence needs- These include need for basic material necessities. In short, it includes an individual's physiological and physical safety needs.

Relatedness needs- These include the aspiration individuals have for maintaining significant interpersonal relationships (be it with family, peers or superiors), getting public fame and recognition. Maslow's social needs and external component of esteem needs fall under this class of need.

Growth needs- These include need for self-development and personal growth and advancement. Maslow's self-actualization needs and intrinsic component of esteem needs fall under this category of need The significance of the three classes of needs may vary for each individual.

Difference between Maslow Need Hierarchy Theory and Alderfer's ERG Theory

ERG Theory states that at a given point of time, more than one need may be operational. ERG Theory also shows that if the fulfillment of a higher-level need is subdued, there is an increase in desire for satisfying a lower-level need.

According to Maslow, an individual remains at a particular need level until that need is satisfied. While according to ERG theory, if a higher- level need aggravates, an individual may revert to increase the satisfaction of a lower-level need. This is called frustration- regression aspect of ERG theory.

For instance- when growth need aggravates, then an individual might be motivated to accomplish the relatedness need and if there are issues in accomplishing relatedness needs, then he might be motivated by the existence needs. Thus, frustration/aggravation can result in regression to a lower-level need. While Maslow's need hierarchy theory is rigid as it assumes that the needs follow a specific and orderly hierarchy and unless a lower-level need is satisfied, an individual cannot proceed to the higher-level need; ERG Theory of motivation is very flexible as he perceived the needs as a range/variety rather than perceiving them as a hierarchy. According to Alderfer, an individual can work on growth needs even if his existence or relatedness needs remain unsatisfied.

Thus, he gives explanation to the issue of "starving artist" who can struggle for growth even if he is hungry.

Implications of the ERG Theory

Managers must understand that an employee has various needs that must be satisfied at the same time. According to the ERG theory, if the manager concentrates solely on one need at a time, this will not effectively motivate the employee. Also, the frustration-regression aspect of ERG Theory has an added effect on workplace motivation.

For instance- if an employee is not provided with growth and advancement opportunities in an organization, he might revert to the relatedness need such as socializing needs and to meet those socializing needs, if the environment or circumstances do not permit, he might revert to the need for money to fulfill those socializing needs. The sooner the manager realizes and discovers this, the more immediate steps they will take to fulfill those needs which are frustrated until such time that the employee can again pursue growth.

14.3 MOTIVATION AND MORALE - RELATIONSHIP AND DIFFERENCES

Morale can be defined as the total satisfaction derived by an individual from his job, his work-group, his superior, the organization he works for and the environment. It generally relates to the feeling of individual's comfort, happiness and satisfaction.

According to Davis, "Morale is a mental condition of groups and individuals which determines their attitude."

In short, morale is a fusion of employees' attitudes, behaviors, manifestation of views and opinions - all taken together in their work scenarios, exhibiting the employees' feelings towards work, working terms and relation with their employers. Morale includes employees' attitudes on and specific reaction to their job.

There are two states of morale:

High morale - High morale implies determination at work- an essential in achievement of management objectives. High morale results in: A keen teamwork on part of the employees. Organizational Commitment and a sense of belongingness in the employee's mind. Immediate conflict identification and resolution. Healthy and safe work environment. Effective communication in the organization. Increase in productivity. Greater motivation.

Low morale - Low morale has following features:

- Greater grievances and conflicts in organization
- High rate of employee absenteeism and turnover.
- Dissatisfaction with the superiors and employers.
- Poor working conditions.
- Employees frustration.
- Decrease in productivity.
- Lack of motivation.

Though motivation and morale are closely related concepts, they are different in following ways:

- While motivation is an internal-psychological drive of an individual which urges him to behave in a specific manner, morale is more of a group scenario.

- Higher motivation often leads to higher morale of employees, but high morale does not essentially result in greatly motivated employees as to have a positive attitude towards all factors of work situation may not essentially force the employees to work more efficiently.

- While motivation is an individual concept, morale is a group concept. Thus, motivation takes into consideration the individual differences among the employees, and morale of the employees can be increased by taking those factors into consideration which influence group scenario or total work settings.

- Motivation acquires primary concern in every organization, while morale is a secondary phenomenon because high motivation essentially leads to higher productivity while high morale may not necessarily lead to higher productivity.

Things tied to morale are usually things that are just part of the work environment, and things tied to motivation are tied to the performance of the individual.

14.4 LET'S SUM UP

Motivation is the activation of goal-oriented behaviour. It is to give reason, incentive, enthusiasm, or interest that causes a specific action or certain behaviour. The internal needs and drives lead to tensions, which in turn result into actions. The need for food results into hunger and hence a person is motivated to eat.

Motivation is said to be intrinsic or extrinsic. Intrinsic motivation is internal. It occurs when people are compelled to do something out of pleasure, importance, or desire. Extrinsic motivation occurs when external factors compel the person to do something. It comes from outside of the performer. Motivation is seen as a process that leads to the forming of behavioral intentions. Motivation and volition refer to goal setting and goal pursuit, respectively. Both processes require self-regulatory efforts. Aggressive motivation or the desires to inflict harm on others, play an all-too-common role in human behaviour. Achievement motivation (often termed as need for motivation) is the desire to accomplish difficult tasks and to excel. Emotions are reactions consisting of subjective cognitive states, physiological reactions and expressive behaviors.

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14.6 MODEL QUESTIONS

Q1: What are the major challenges in motivation?

Q2: Are morale and motivation same or different? Explain in detail.

Q3: An individual cannot be motivated externally until the individual is not ready internally. Do you agree or disagree, give reasons for your answer.

UNIT-15: COORDINATION

Structure

LEARNING OBJECTIVES

After completing this module, the you will be able to:
- Know about co-ordination
- Role of co-ordination in each function of Management.
- Various types of co-ordination
- Factors affecting coordination
- To know how co-ordination helps in achieving the goals of an organization.

15.1 INTRODUCTION

The organisational goals are achieved by organising, proper division of work, span of management, centralisation and decentralisation, delegation of authority and organisation structure etc. The success of an organisation is possible when the departments of the organisation are co-ordinated in a unified direction. Once the activities are divided into smaller units, those are re-grouped into departments on the basis of similarities of features, a manager need to coordinate the activities of those departments. By communicating organisational goals to each department, thereby setting departmental goals and linking the performance of individual departments with other, so that all departments collectively contribute towards the organisational goals. It is the process of linking the activities of various departments to the organisation.

Coordination is required in every field where human beings are engaged. Coordination is vitally important management function as it helps in achieving objectives of an enterprise by directing and unifying group efforts. To bring unified element in the task of managing it is necessary to coordinate the activities of personnel engage in an organisation.

Definitions:
"Co-ordination" is balancing and keeping the terms together, by ensuring a suitable allocation of working activities of the various members and seeing that these are performed with due harmony among the members themselves." -E.F.L. Breach.

Co-ordination has been viewed by different management authors and experts in different ways.

Henry Fayol considers co-ordination to be one of the separate managerial functions to a manager. Louis A. Allen has also regarded co-ordination as one of the separate managerial functions. Further, James D. Mooney considers co-ordination as the first principle of organisation and Ralph C. Davis considers co-ordination primarily as a vital phase of controlling.

15.2 NATURE OF CO-ORDINATION

From the above definitions of Coordination, we can state the nature of Coordination as under:
  (a) **Group Effort:** To work as a group, coordination integrates the efforts of individual and departments. The groups make efforts towards achieving their individual goals as well as organisational goals.
  (b) **Unity of Action:** Coordination ensures unity of action in an enterprise. Every individual in an organisation has to makes efforts towards a common headed goal. All activities should be performed within the framework of policies and practices of an organisation.
  (c) **Common goal:** Coordination maintains balance amongst individual, departmental and organisational goals. Each individual and department strives to maximize its goal. But this maximization should not be at the cost of the organisational goal. The resource and task assigned to individual and department in such a manner that the efforts of working of a department promotes the working of other department.
  (d) **Continuous process:** It is a continuous process which carry out through the life of an organisation because it has to be regularly coordinate the activities of all the departments and individuals.
  (e) **Managerial responsibility:** Whether it is production, finance, personnel and sales department, every manager at every level co-ordinate their respective activities as this is the responsibility of managers.
  (f) **Essence of management:** While carrying out the managerial functions of planning, organising, staffing, directing, and controlling

15.3 ELEMENTS OF COORDINATION

The elements of coordination can be summarized as follows:

1.   **Group Effort:** Coordination emphasizes the importance of individuals working together as a group. It recognizes that the collective efforts of individuals can lead to better outcomes for both individual and organizational goals.

2.   **Unity of Action:** Coordination ensures that the activities of individuals, groups, and departments are aligned and directed towards a common goal. It promotes synergy and avoids conflicts or contradictory actions within the organization.

3.   **Common Purpose:** Coordination seeks to maintain a balance between individual, departmental, and organizational goals. It recognizes the need for all individuals, groups, and departments to share a common purpose, which is to achieve the overall organizational objectives. This common purpose helps in aligning efforts and fostering cooperation.

In summary, the elements of coordination involve fostering group effort, promoting unity of action, and establishing a common purpose that aligns individual and organizational goals. These elements are crucial for achieving effective coordination within an organization.

15.4 FACTORS AFFECTING COORDINATION

Coordination is influenced by various factors, which can be summarized as follows:

1. **Growth in Size:** As an organization grows in size, the coordination of daily activities becomes more complex. With an increased number of employees, departments, and functions, it becomes challenging to synchronize and align their efforts. Effective coordination becomes crucial to ensure unity of action and avoid conflicts or duplication of work.
2. **Growing Specialization:** Modern businesses require a high degree of specialization to handle the complexity of tasks and functions. Specialization often leads to the formation of specialized departments or units within an organization. However, this specialization can create silos and hinder coordination. Effective coordination becomes necessary to integrate the specialized efforts and ensure that they contribute towards common organizational goals.
3. **Human Nature and Individual Differences:** Human beings have diverse personalities, attitudes, values, and work styles. These individual differences can affect coordination within an organization. Conflicts, misunderstandings, and resistance to change may arise due to these differences. Managers must consider these factors and employ strategies to promote effective communication, collaboration, and teamwork to enhance coordination.
4. **Organizational Structure and Design:** The structure and design of an organization can impact coordination. A well-designed organizational structure with clear lines of communication, authority, and responsibility facilitates coordination. On the other hand, a complex or poorly defined structure can hinder the flow of information, decision-making, and coordination efforts.
5. **Technological Advances:** Technological advancements play a significant role in coordination. Information systems, communication tools, and collaborative platforms can greatly facilitate coordination by enabling timely and efficient exchange of information, real-time collaboration, and integration of activities.

In summary, coordination is influenced by factors such as the size of the organization, the level of specialization, human nature and individual differences, organizational structure, and technological advances. Recognizing these factors and addressing them effectively is essential for promoting coordination within an organization.

15.5 IMPORTANCE OF COORDINATION

Coordination is a fundamental aspect of management and plays a crucial role in the success of an enterprise. It provides several benefits to an organization, which can be summarized as follows:

i) Increases Efficiency: Coordination ensures that all functions and activities within the organization are aligned and synchronized. By integrating human and non-human resources effectively, coordination optimizes resource utilization, ensuring the required quality and quantity of output. This leads to improved efficiency in operations.

ii) Improves Human Relations: Coordination fosters unity of action and direction among individuals and groups within the organization. It promotes mutual trust, cooperation, and understanding, leading to enhanced human relations both in formal and informal settings. When coordination is present, employees work together harmoniously towards common goals, creating a positive work environment.

iii) Inter-Departmental Harmony: Effective coordination establishes clear plans and programs, reducing conflicts and creating an atmosphere of harmony among different departments. It facilitates smooth communication, cooperation, and collaboration between departments. As a result, goals can be met efficiently and effectively, without unnecessary clashes or delays.

iv) Key to Other Functions: Coordination is the linchpin that connects and supports other functions of management. It enhances the effectiveness of planning by aligning individual and departmental goals with the overall organizational objectives. It ensures that the organization is well-knit and structured during the process of organizing. In terms of control, coordination makes it more effective by providing a framework for monitoring and adjusting activities to maintain alignment with goals.

In summary, coordination serves as a vital link in management, offering benefits such as increased efficiency, improved human relations, inter-departmental harmony, and supporting the effectiveness of other management functions. It is a critical factor in achieving organizational success.

15.6 PRINCIPLES OF COORDINATION

Mary Parker Follet identified several principles of coordination, which can be summarized as follows:

1. **Principle of Direct Contact:** According to Follet, coordination can be achieved through direct contact among the individuals responsible for the tasks. She emphasized the importance of interpersonal relationships and personal communication in promoting coordination.

2. **Early Stage:** Follet believed that coordination should begin at the early stages of the planning process. By involving organizational participants in goal-setting and policy formulation, coordination issues can be addressed effectively. When members are involved in the decision-making process, coordination challenges are significantly reduced.

3. **Reciprocal Relationship:** Follet highlighted the principle of reciprocal relationships, stating that all factors within a situation are interconnected and influence each other. In an organization, various parts and functions are interdependent, and coordination is required to ensure harmonious interactions among them.

4. **Principle of Continuity:** Follet emphasized that coordination is an ongoing and continuous process. It should be maintained at all times within the organization to ensure smooth operations and avoid conflicts. Coordination is not a one-time effort but should be practiced consistently.

5. **Principle of Self-Coordination:** In addition to the four principles listed by Follet above, Brown has emphasised the principle of self-coordination. This principle, highlighted by Brown, suggests that departments should adjust their functions to support other departments, especially in challenging or unfavorable situations. By voluntarily aligning their activities to benefit other departments, self-coordination can be achieved. However, it should be noted that this principle is rarely practiced in organizations.

To summarize, Mary Parker Follet's principles of coordination include the importance of direct contact, early-stage involvement, recognition of reciprocal relationships, and the need for continuous coordination. These principles highlight the significance of interpersonal relationships, proactive planning, interconnectedness, and consistent coordination efforts within an organization.

15.7 TYPES OF COORDINATION

Coordination can be broadly classified into two types: internal coordination and external coordination.

1. **Internal Coordination:**
   Internal coordination refers to the coordination among employees or positions within an organization, operating at different levels or departments. There are two main types of internal coordination:
   - Vertical Coordination: This type of coordination occurs between positions at different levels of the organizational hierarchy. It involves coordination between top-level management and middle-level management or coordination between middle-level management and front-line employees. Vertical coordination ensures that objectives, plans, and decisions are effectively communicated and implemented throughout the organization.
   - Horizontal Coordination: Horizontal coordination refers to coordination among positions or divisions at the same level within the organization. It involves

coordination between departments or functions such as sales, finance, production, and marketing. Horizontal coordination ensures that different departments or units work together harmoniously, share information, and collaborate to achieve common organizational goals.

2. **External Coordination:**

External coordination pertains to the coordination of an organization's executives, employees, or departments with external entities or agencies. This type of coordination involves interactions and coordination with external stakeholders such as government departments, other organizations, customers, suppliers, financial institutions, and the broader external environment. External coordination is crucial for managing relationships, partnerships, and exchanges with external entities to support organizational goals and meet the demands of the external environment.

In summary, internal coordination involves coordination within the organization, including vertical coordination between different hierarchical levels and horizontal coordination among departments or units at the same level. External coordination focuses on coordinating with external stakeholders and entities outside the organization to establish relationships, partnerships, and manage interactions with the external environment.

15.8 TECHNIQUES OF COORDINATION

Coordination within an organization can be facilitated through various factors and mechanisms. Here is a rephrased version of the factors that contribute to coordination:

1. **Scalar Chain:** The scalar chain defines the positions and authority within the organizational structure. Understanding one's position, as well as the positions of superiors and subordinates, facilitates coordination.

2. **Rules and Procedures:** Well-established rules and procedures provide standards of performance in organizations with routine activities. These guidelines allow members to perform their tasks without constantly seeking guidance from top-level managers, thus promoting coordination.

3. **Plans and Goals:** Clearly defined plans and goals ensure that the efforts of individuals and departments are aligned towards the organization's objectives. This clarity prevents confusion and bottlenecks, promoting coordination.

4. **Information System:** Effective information systems, such as computer networks, facilitate the free flow of information within an organization. Access to information enables individuals at different levels and in different departments to make informed decisions, enhancing coordination.

5. **Lateral Relationships:** Lateral relationships refer to the interactions and communication between peer groups in different departments. Encouraging collaboration and problem-solving between departments promotes coordination without constantly relying on hierarchical channels for resolution.

6. **Cooperation:** Cooperation among organizational members is vital for achieving coordination. When individuals voluntarily work together as a group, coordinating their efforts, it fosters a harmonious and coordinated work environment.

7. **Committees:** Committees are formal organized groups with designated membership and a chairperson. They are formed to address specific organizational problems. By bringing together representatives from different departments, committees facilitate horizontal coordination and collaborative problem-solving.

8. **Managerial Integrators:** Managerial integrators are appointed managers or coordinators responsible for coordinating the activities of workgroups involved in different projects or producing different products. Their role is to ensure coordination among diverse tasks and teams.

9. **Meetings:** Regular meetings provide a platform for individuals from different departments to discuss progress, share information, and collectively resolve issues. Open discussions and mutual decision-making contribute to coordination by fostering communication and collaboration.

10. **Self-Coordination:** The most effective way to achieve coordination is through self-realization that all members, levels, and departments should align their efforts toward the common organizational goal. Recognizing the need to maximize each other's interests without disharmony or conflicts promotes self-coordination.

In summary, coordination can be facilitated through various mechanisms such as clear communication channels, established rules and procedures, shared goals, effective information systems, cooperative attitudes, committee structures, designated coordinators, regular meetings, and individual awareness of the organization's collective objectives.

15.9 REQUISITES OF EFFECTIVE COORDINATION

Here is a rephrased version of the principles of coordination:

1. **Pre-Planning Coordination:** Coordination should begin before the formulation and finalization of plans. Plans need to be aligned with environmental factors and coordinated accordingly.
2. **Post-Control Coordination:** Coordination continues even after the planning phase and extends into the control function. Control activities should be coordinated with the plans to ensure their successful implementation.
3. **Continuous Process:** Coordination is an ongoing and continuous process. It involves networking the organizational activities in a seamless manner to maintain a continuous workflow.
4. **Dynamism:** Coordination should be dynamic to anticipate and adapt to changes in the environment. It should be flexible enough to incorporate the consequences of environmental changes before competitors do.

5. **Direct Personal Contact:** Effective coordination can be achieved when superiors establish and maintain direct personal contact and communication with their subordinates. This direct interaction facilitates clear direction and understanding.

6. **Effective Communication:** Perfect coordination relies on effective communication that is free from distortions, gaps, and misunderstandings. Clear and open communication channels enhance coordination.

7. **Flat Organizational Structure:** A flat organizational structure allows employees to interact and communicate freely and frequently with their superiors. This open communication promotes effective coordination throughout the organization.

8. **Leadership:** Democratic and participative leadership styles encourage frequent communication between leaders and employees. They create an environment where subordinates feel comfortable expressing their ideas and viewpoints, leading to effective coordination.

In summary, coordination should begin early in the planning process, extend beyond control activities, be continuous and dynamic, rely on direct personal contact and effective communication, be supported by a flat organizational structure, and benefit from democratic leadership that encourages open communication.

15.10 COOPERATION AND COORDINATION

Cooperation and coordination, although interrelated, have distinct meanings and implications. Their differences can be summarized as follows:

- **Managerial Function:** Coordination is considered a managerial function, while cooperation is not specifically tied to managerial roles.

- **Arrangement of Group Efforts:** Coordination involves the orderly arrangement of group efforts, ensuring that activities are aligned towards a common goal. On the other hand, cooperation reflects a willingness to help and support others in achieving their objectives.

- **Importance in Organizational Success:** The success of an organization depends on the degree of coordination among its members. Coordination is crucial for achieving harmonious and effective outcomes. Cooperation, on the other hand, serves as the foundation for coordination, as it fosters a collaborative environment.

- **Official vs Voluntary:** Coordination is typically obtained through official channels and structures within the organization. It is a deliberate effort to synchronize activities. In contrast, cooperation is voluntary and stems from individuals' willingness to assist and collaborate with others.

In conclusion, cooperation and coordination are distinct concepts. Cooperation without coordination does not lead to fruitful outcomes, as it lacks organized alignment. Similarly, coordination without cooperation lacks the supportive and collaborative spirit necessary for success. Both elements are crucial in achieving organizational goals.

15.11 LET'S SUM-UP

Coordination can be defined as the systematic arrangement of efforts to achieve unity of action in accomplishing organizational objectives. There is some variation among authorities regarding whether coordination is considered a function of management or the essence of management itself. However, it is widely recognized that coordination is an integral part of the management process.

Coordination extends beyond the boundaries of individual functions and is present throughout all the functions of management, starting before planning and continuing until after control. It is a continuous process that permeates the entire organization.

The level of coordination within an organization is directly linked to its likelihood of success. When coordination is effectively implemented, it facilitates the achievement of organizational objectives. In this sense, coordination can be viewed as a system that, once established, enables smoother progress towards organizational goals.

It is important to distinguish coordination from cooperation, as the two terms have distinct functions while being interrelated. While coordination focuses on harmonizing efforts and actions towards a common purpose, cooperation entails a willingness to assist and collaborate with others. Both elements are essential for organizational success, but they serve different purposes.

15.12 KEY TERMS

- **Integrator:** The integrator is responsible for gathering and consolidating input from various sources to generate output or outcomes.
- **Direction:** Direction refers to the provision of instructions or guidance to individuals or groups to align their efforts towards achieving desired objectives.
- **Unity of Action:** Unity of action signifies the coordination and harmonization of efforts among individuals or groups to work together towards a common goal or objective.
- **Cooperation:** Cooperation involves the willingness and active support of individuals or groups to collaborate, assist, and work together towards shared objectives.
- **External Environment:** The external environment refers to the surroundings and factors outside the organization that can impact its operations, such as political, economic, social, technological, and legal aspects.
- **Scalar Chain:** The scalar chain represents the formal chain of authority and communication that flows from the top level of management to the bottom level, ensuring a clear hierarchical structure within the organization.

15.13 FURTHER READINGS

- Management :-Stephen Robbins and Mary Coutler

- Management:- Cannice, Weirich and Koontz
- Business Organisation and Management:- C.B.Gupta
- Principles of Mangement:- J.K.Jain.

15.14 MODEL QUESTIONS

Q1: Define coordination in your own words and outline its components.

Q2: Discuss the significance of coordination for an organization. Identify the factors that impact coordination.

Q3: Explain the principles of coordination.

Q4: Enumerate the techniques used for coordination.

Q5: Describe the steps necessary to enhance the effectiveness of coordination.

Q6: Classify coordination and highlight its distinction from cooperation.

LEARNING OBJECTIVE

After completing this unit, students will be able to:

- Define Controlling
- Describe the characteristic features of motivation
- Differentiate between various types of motivation
- Understand motivational challenges
- Comprehend the relationship between motivation and morale.

16.1 INTRODUCTION

It is defined as the process of ensuring the efficient achievement of organisation objectives. In an unstable environment under which management works, control is necessary to foresee problems, measure performance against standards, take corrective actions for deviations from plans and if necessary, modify plans accordingly. The term control may have some negative connotations for some, literally. But, in the management process, it is a facilitating function which supports the organisation to accomplish the set objectives. The primary responsibility for exercising control rests with every manager charged with the execution of plans.

As per Henry Fayol, "control consists in verifying whether everything occurs in conformity with the plans adopted, the instructions issued and principles established.

Its object is to point out weaknesses and errors in order to rectify them and prevent recurrence. It operates on everything, things, people, and actions".

It is not correct to assume that only top management has the responsibility for control and that there is little need for control at lower levels of management. While the scope for control may vary to some extent depending upon the position of an employee in the hierarchy, all those who have responsibility for the execution of plans need to exercise control too.

16.2 PREREQUISITES & CHARACTERISTICS OF EFFECTIVE CONTROL SYSTEMS

There are two major prerequisites of control: a plan and a structure.

a) Plan: Controls must be based on plan. More clear and complete the plans are , more effective the controls can be; plans acts as the standards by which the actions are measured.

b) Structure: There is need for a structure to know where the responsibility rests for deviations and corrective action, if any needed. As in the case of plans, clearer and complete the organisation structure is, more effective the control can be. Controls, to be effective, should share the following basic characteristics:

c) Appropriate: Controls should correspond to an organization' s plans. Controls designed for a general manager are inappropriate for a supervisor. Similarly, control systems suitable for a line department may be inappropriate for a staff department.

d) Strategic: Control should serve a strategic purpose and provide spotlight on positive and negative exceptions at critical points.

e) Acceptable: Controls will not work unless people want them to. They should be acceptable to those to whom they apply.

f) Reliable and Objective: Controls should be accurate and unbiased. If they are unreliable and subjective, people will present them.

g) Cost-effective: The benefit from control should be greater than the costs. Control devices should yield tangible benefits.

16.3 THE CONTROL PROCESS

There are four steps in control process:

(1) Setting of control standards, (2) Measurement of actual performance, (3) Comparing actual and standard performance and (4) Taking corrective action. These steps are discussed in detail:

1. Setting of Control Standards:

Every enterprise plans its activities in advance. On the basis of plans, the objectives and goals of every department, branch, etc. are fixed. These, goals are converted into quantity, value, man hour etc. These are to be/achieved in future. There may also be qualitative goals. The achievement of various targets is made the responsibility of specific persons. The levels of achievement are also decided in advance. Whether a particular result is to be taken as satisfactory, average or poor should be pre determined so that the persons responsible for that work should be able to assess their performance.

Some strategic points should be selected as controls or yardsticks. Following four guidelines may be used for selecting strategic points:

i. The control points should be timely so that they may be able to reveal significant deviation in time thereby saving further losses.

ii. Control points should be such as to permit economical observation and report.

iii. Control points, especially for executives at higher levels should provide comprehensive courage.

iv. Control points should be such as would promote balanced performance.

2. Measurement of Performance:

The second step in controlling process is the measurement of performance. The actual performance is measured against the standards set. This will enable management to determine

whether the work is being done according to plans or not. The measurement of quantitative objectives is easy since figures of work done will be available. The qualitative performance such as human relations, employee morale, etc. can only be measured through psychological tests and surveys. Measurement of performance is an important part of control process. If measurement is such that deviation is detected at the earliest then it will enable appropriate action well in time. If that is not possible then deviations should be detected as early as possible.

3. Comparing Actual and Standard Performance:
The next step in control process is the comparison of actual performance with the standards set. The purpose of this comparison is:
(a) to find out deviations if any, and
(b) to determine the reasons for such deviation.

While comparing actual performance with the standard, some permissible limits are also fixed. When the deviations are within the prescribed limits then there is no cause for worry. But if the deviations are more than the allowable limits then it calls for urgent action. This is also known as 'management by exception.' When things are going as per plans or within the allowable limits then top management is not required to take any note of it. But on the other hand, if performance is not up to the level, then it is brought to the notice of top management for taking corrective action. If the manager gives attention to every deviation, then he will not be able to give enough time for important things.

When the actual performance is not up to the level then causes for it should be pin- pointed. Necessary steps are taken so that performance is not adversely affected once again. If no efforts are made to rectify the weak areas, then the whole control process will be futile. Whenever the performance is low than the standards, the reasons for it should immediately be found.

4. Taking Corrective Action:
The last but most important step in controlling process is of taking corrective action. Whenever the performance is less than the standards, efforts should be made to rectify it. Whatever the reasons for low performance, efforts are made to achieve organizational goals. No control process can automatically rectify the mistakes in a system. It is the action which is required to set the things right, sometimes the targets are not achievable even with more efforts than these will have to be revised. The control action may involve review of plans and goals, change in the methods of work, change in the assignment of task, change in existing techniques of direction and change in organization structure. The corrective action generally involves top management. It is said by some persons that taking corrective action is not a part of control but a separate managerial function. The overlapping of control function only shows the unity of manager's job. It shows that managing process should be integrated one.

16.4 CONTROL AS A FEEDBACK SYSTEM

Management control is usually viewed as a feedback system. Control is more than a matter of establishing standards, measuring performance and correcting for deviations.

To initiate corrective action, there should be a program (or a plan of action) which needs to be implemented and monitored as to whether such implementation will give the desired performance.

Feedback refers to the process of adjusting future actions on the basis of information about the past performance. The following chart, which depicts the Feedback process involved in a management control, gives an idea of the Feedback system.
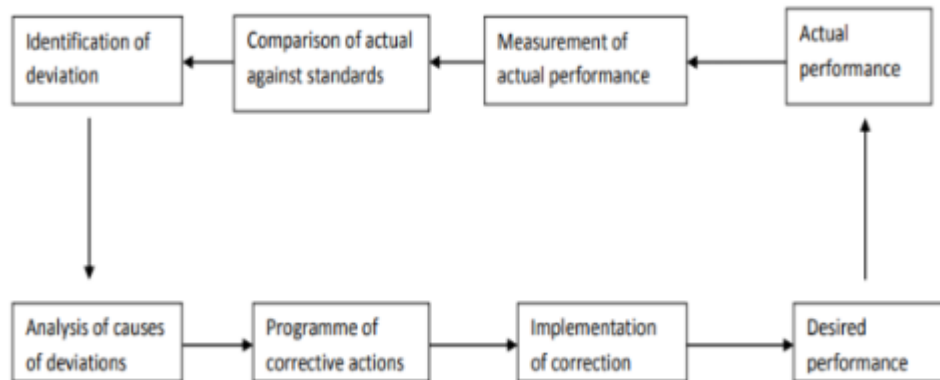
It is thus clear from the above chart that the system of management control is not just a simple process of establishing standards, measuring performance and correcting the deviations detected, if any. This is because the Feedback system involved in this, places control in more complex and realistic light than this simple process.

Alert managers should realise that they should not only measure actual performance, compare such measurements against standards, identify and analyse deviations, if any, but also develop a program for corrective action and implement such a program for securing the desired performance. Unless this program for corrective action which is developed by them is properly implemented, they cannot make the necessary corrections.

It is heartening to note that latest developments in the field of computer technology and electronic gathering, transmission and storage/of data, etc., have led to the development of a system of 'Real-Time' Information. Recent developments in electronic hardware of automatic control have reinforced the importance of this principle. The electrical engineer refers to a closed-loop system of feedback when the information of actual performance is feed back to the source of energy by electrical or mechanical means in an endless chain. An open loop system of feedback involves human intervention at some point in the flow. Real-Time information refers to the information pertaining to the actual happenings the moment events occur. These latest technical developments collect and supply real-time data on many operations and thereby keep the management abreast of latest developments in the organisational set-up, including data relating to sales, stock position, storage facility, gross profit, production developments and several other important developments in the manufacturing process.

16.5 METHODS OF CONTROL

There are nine methods of control which may be classified three categories based on their frequency of use: Constantly used controls: Self-control, group control and policies, procedures and rules. Periodically used controls: Management Information Systems, External Audits and Budgets. Occasionally used controls: Special reports, personal observation and project control.

- **Constant Controls**

Self-control: Managers need to exercise more self-control to minimize the need for other control methods and making control in the organisation acceptable and effective. Self-control means giving a fair day's work for a fair day's pay, reporting to work on time, discharging duties and responsibility properly and respecting the rights of others in the organisation. Respect for self-control in an organisation can be a motivating factor. A sense of appreciation for self-control can be promoted among employees through training in behaviour modification.

Group Control: Work groups are a source of control. Group-defined norms exert greater influence in organisations than the norms that managements may choose to set unilaterally and thrust on groups. Group norms and group control can aid or hinder formal authority. Organisations would do well to develop and use group control processes to reinforce formal authority. While in some organisations group control processes helped increase output and improve quality, in others they resulted in restricting output. For group norms to contribute to organisational goals there should be a climate of trust and openness, a culture of cooperation than confrontation. Quality circle, quality of work life programmes and work redesign experiments being taken up in some organisations are examples that point to organisational thrust toward reinforcing group control processes for achieving organisational goals through integration of members' interests with those of the organisation.

Policies/Procedures/Rules: These are essentially bureaucratic control mechanisms referred to in the discussion on control strategies. They reflect past managerial experience and include a variety of aspects concerning how to make certain decisions, deal with resources, etc. If the policies, procedures and rules are properly formulated, clearly communicated and implemented consistently throughout the organisation, they can be effective in controlling individual and work group behaviour.

- **Periodic Controls:**

Management Information Systems: A Management Information System is a mechanism designed to collect, combine, compare, analyse and disseminate data in the form of information. As such, management information systems link the various decision- making centres within an enterprise and serve a useful function in providing feedback for control purposes.

External Audits:

The annual financial audit by an outside accounting firm is one form of external audit, mainly of the finances of an organisation. In the case of public sector units, such an audit is performed by Comptroller and Auditor General also. Forward looking progressive private companies have in the past sought to have a social audit, not for evaluating financial

performance, but to find out whether and how well they have been discharging their social obligations. An example is the case of Social Audit conducted in Tata Steel in the late 1970s.

Budgets: Budgets are plans that deal with the future allocation and utilization of various resources to different enterprise activities over a given period of time. Budgets help establish plans and also serve as the basis for measuring or evaluating the standards of performance. Budgetary control is a good example of bureaucratic control strategy.

- **Occasional Controls:**
Special Reports: These have a special role. Special reports can be commissioned by an organisation when its normal control systems point to the need for detailed investigation or study of a particular operational aspect. When major policy decisions of strategic importance are taken, special reports may be commissioned. These include situations where the organisations find the need for overcoming the existing difficulties, modernisation, expansion, diversification, merger, acquisition etc. Special reports vary in content and style depending upon the purpose. They could be prepared internally by managers in the organisation or by consultants or outside institutions. Special reports are a valuable method for controlling in turbulent environments, warranting changes in products and markets, technology and production processes, organisational structure, etc.

Personal Observation: Managers can know what is happening in an organisation by relying on information provided by others as also by finding out for them. Firsthand knowledge has to be critical to be effective.

Project Controls: Various methods have been developed for controlling specific enterprise projects. The best example is the network analysis using the PERT tool. PERT is an acronym for Programme Evaluation and Review Technique. It is a diagram showing the inter-relationships between the events and activities that comprise a project. It is a detailed, easy-to-communicate means for determining current status of a project, stimulate alternative plans and schedules and controlling activities.

16.6 POLICIES AND DESIGN CHOICES IN CONTROL

Organisations have three options in exercising control:

- Centralization or delegation
- Formal or Informal
- Direct or Indirect

Preferences for one or a mix of all options are matters of judgment. Judgment in turn could be based on theory, practice or premonition. Each option has relevance in a particular situation.

Centralization or Delegation: Centralization is an approach where control is exercised by

the chief executive or the top management group (comprising a few individuals). Others in the lower rungs of hierarchy cannot act on their own or use their discretion. Thus, functional autonomy will be lacking at operating levels.

Delegation, on the contrary, manifests transfer of decision-making authority downward and outward within the formal structure. Sometimes, decision-making power is transferred downwards in a hierarchy prescribing limits on the scope and type of decisions. For example, a branch manager is allowed to spend up to Rs 5000 per month on consumables, without referring upwards for approval, so long as it falls within the monthly budget. Here although the decision-making power is transferred, overall control is incorporated into the arrangement. Where delegation occurs in an organisation-wide context, it becomes decentralization.

Centralised Control:
- makes it easier to coordinate the activities of various subunits/departments in an organisation.
- seeks to achieve balance among various functions because the top management can be expected to have a broad organisation-wide perspective.
- proves more useful because control will be in the hands of senior, experienced top executives.
- is necessary to meet extraordinary situations.
- is economical since duplication in activities and resource use can be avoided.

Delegation and decentralization too have positive features:
- they relieve the top management from overload.
- motivate individuals to give better performance due to opportunities for individual freedom, discretion and control.
- contribute to the personal and professional development of managers.
- people at operating levels are more knowledgeable about the dynamics in decision making situations and can be expected to take appropriate actions to suit local conditions. This is particularly true in the case of large and widely dispersed units. affords prompt actions and provides flexibility.

Formal or Informal: Formalization refers to establishing written policies, procedures, rules etc. which prescribe the do's and don'ts. As organisations grow, formalization grows. Formalization renders activities more predictable in a desired direction and facilitates coordination and control.

In large organisations where it is no longer possible to retain high degree of centralised control, formalisation helps to retain consistency and continuity by restraining the negative effects of delegation and decentralization. Formalization is appropriate for large organisations operating in conditions of stability. But, in today's fast changing environments, complete formalisation may not be desirable and practicable. Excessive formalisation vitiates the climate for initiative and employee freedom in performance, results in employee resistance and may even become counterproductive.

Formalization can be effective insofar as policies, procedures and rules are flexible enough and reviewed periodically to make them appropriate to current changing situation.

Direct or Indirect: There are two ways of controlling. One way is to supervise subordinates' activities closely, trace deviations to the persons responsible and get them to correct their practices. This is called indirect control The other way is to develop high quality managers who will properly understand and apply managerial principles, functions, techniques and philosophy, make few mistakes and initiate corrective actions, wherever necessary, themselves. This is called direct control. The higher the quality of managers and their subordinates, the less will be the need for indirect controls.

Exercising close supervision through indirect controls adds to overhead costs and reduces employee motivation. Modern management practices call for a greater degree of 'self control' (which in effect means direct control) by those who perform work. With the revolution in information technology using computers, control can be exercised through real-time information, i.e., gathering information on what is happening as events are occurring. This made it easy for organisations to combine direct controls with indirect controls. But here indirect control is exercised not through close personal supervision, but through modern technology and hence several of the negative features of close personal supervision of superiors such as infringement on freedom of operation and subjectivity in evaluation are avoided. Direct control hastens corrective actions, lightens the burden caused by indirect control and subordinates feel less concerned about superior's subjectivity in rating their performance because in indirect control one would feel a close relationship between performance and measurement.

16.7 STRATEGIES ADOPTED FOR CONTROLLING

There are four Strategies implemented for controlling in organisation. Each strategy will utilise one or more of the features listed

Personal Centralised control
- Centralised decision-making
- Direct supervision
- Personal leadership: founded upon ownership or charisma, or technical
- Expertise reward and punishment reinforce conformity to personal authority

Bureaucratic control
- breaking down of tasks into easily definable elements
- formally specified methods, procedures and rules applied to the
- conduct of tasks budgetary and standard cost-variance accounting controls
- technology designed to limit variation in conduct of tasks with respect
- to pace, sequence and possibly physical methods routine decision-taking delegated within prescribed limits
- reward and punishment systems reinforce conformity to procedures
- and rules breaking down of tasks into easily definable elements
- formally specified methods, procedures and rules applied to the

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- conduct of tasks budgetary and standard cost-variance accounting controls
- technology designed to limit variation in conduct of tasks with respect
- to pace, sequence and possibly physical methods routine decision-taking delegated within prescribed limits
- reward and punishment systems reinforce conformity to procedures and rules

Output control
- jobs and units designed to be responsible for complete outputs
- specification of output standards and targets
- use of `responsibility accounting' systems
- delegation of decisions on operational matters: semi-autonomy
- reward and punishment linked to attainment of output targets

Cultural control
- development of strong identification with management goals
- semi-autonomous working: few formal controls
- strong emphasis on selection, training and development of personnel
- rewards oriented towards security of tenure and career progression

Control through electronic surveillance
- speed and quality of work recorded and assessed remotely via
- information and communication technology (ICT) employee's performance assessed against that of other employees and
- trends such monitoring of performance used to reward and discipline employees

HRM control
- use of selection methods to ensure that new recruits 'fit' the profile of
- attitude, behaviour, and capabilities desired by management training and development designed to reinforce this desired profile
- assessment procedures and reward systems used to encourage conformity

a) Personal centralised control: This approach is often found in small owner managed organisations and is characterized by the centralization of decision making and initiative around a leadership figure. Control consists largely of personal inspection to see that decisions are carried out, and the leader may spend a high proportion of time supervising the work personally. Once the organisation grows large enough to employ someone to undertake detailed supervision of everyday tasks, the locus of decision-making and close supervision will tend to become separated. The authority of the leader will usually rest upon the rights of ownership, special personal qualities (charisma) or technical expertise.

b) Bureaucratic control: This approach to control is familiar in public sector organisations and in many other types of large organisations. It is based on the specification of how members should behave and carry out their work. There is an attempt to ensure predictability through formal job descriptions and procedures, the breaking down of tasks into constituent elements, and the specification of standard methods for the performance of tasks. Reward and punishment systems can be designed to reinforce this control strategy. Compliance can

be rewarded by upgrading, improved status, favorable employment benefits and job security. Bureaucratic control will make use of accounting control systems such as budgetary control and standard cost variances. The bureaucratic strategy also permits delegation without loss of control. Managers can delegate routine decision-making within formally prescribed limits of discretion.

c) Output control: This approach relies upon the ability to identify specific tasks having a measurable output or criterion of overall achievement – for example, an end-product, a part manufactured to agreed standards, batch production or a sub-assembly. Rewards and sanctions can be related to performance levels expressed in output terms. Output control strategy is aimed at facilitating the delegation of operational decision-making without the need for bureaucratic controls or relying on close personal supervision. Once output standards have been agreed, subordinates can work with a 'semi-autonomous' relationship to management, free from detailed control over how tasks are carried out. Output control may be difficult to apply to certain activities, such as the legal department of a business organisation. Although it may be difficult to establish suitable and agreed measures of output, and it may be difficult for management to codify the activities involved, output control may be more appropriate than the application of a bureaucratic control strategy.

d) Cultural control: This approach has been identified with moves away from conventional forms of organisation and is based on maintaining control through internalized compliance rather than external constraint. The basis of cultural control is the acceptance and willing compliance with the requirements of management and belief of the organisation. A major example is the cultural control that tends to be exemplified by larger Japanese corporations, although this is subject to criticism of compulsory sociability. Although a strong corporate culture is intended to provide an alternative to control, in practice strenuous efforts are usually made to ensure employees conform to the culture. Provided members have the necessary skills and ability they can be given wide freedom of action in deciding how to undertake their responsibilities. Cultural control, combined with personal autonomy, has long been associated with the professions. Despite criticisms of cultural control it is in tune with the increasing number of professional and knowledge workers, and is consistent with self-managing units or teams working with only limited formal controls.

e)   Control through Electronic Surveillance: The essence of control is that the speed and quality of work is recorded and assessed remotely through the use of ICT without reliance on personal supervision. Control data are precise rather than impressionistic and subject to management bias. Monitoring of performance can be used readily as the basis for reward and discipline. Control through electronic surveillance is applied to many types and levels of activity. A common example is call centres although customer service representatives dislike the pressure from this form of control and the objectivity of relying on electronically produced statistics is subject to challenge.

f)   HRM control: HRM procedures can be used both to develop people at work and to control their behaviour and performance. They enhance the contribution to the achievement of organisational goals and objectives. Systematic selection techniques are designed to ensure new recruits fit the profile and technical competencies required by management.

Performance evaluation and appraisal provide feedback to both management and employees. Appraisals should provide the basis for reward and for an assessment of the need for further training or development. If training and development program are attuned to the needs of employees and the requirements of their jobs this should contribute to better performance.

16.8 LET'S SUM UP

Control is an integral part of the process of management. There are, however, varying connotations of the meaning and exercise of control. It is often interpreted in a negative manner to suggest direction or command, the restriction of behaviour or even exploitation of employees. However, control is not only a function of the formal organisation, it is also a function of interpersonal influence. Control is a general concept that is applied both to individual behaviour and organisational performance.

Control can serve many important functions and be manifested in a variety of forms. There are a number of important characteristics of an effective control system. The system should be understood, conform with the structure of the organisation, report deviations quickly, draw attention to critical activities of the organisation, be flexible, consistent with the activity to which it relates and subject to continual review. If control systems are to be successful in leading to improved performance, then attention must also be given to the factors which influence human behaviour.

Work organisations are not only systems of hierarchical structure; they are also systems of social relationships, status and power. Power is an inherent feature of work organisations and an underlying reality behind the decision-making process.

Organisations can be classified in terms of the relationship between power, involvement and the compliance of their members. The pluralistic approach, however, recognizes power as a social process. Power is a major organisational variable that derives from a multiplicity of sources and situations. A dilemma that underlies the nature of control is finding the right balance between order and flexibility.

Management control systems are frequently thought of in terms of accounting or financial systems. The reasons are easy to understand but accounting control systems tend to operate in a negative way, and to give little specific recognition from management and only a limited sense of achievement. What need to be considered are behavioral factors and the manner in which control systems motivate people to improve their performance. To do this, they must take account of individual, social and organisational factors that determine people's patterns of behaviour.

16.9 FURTHER READINGS

- Child, J. (2005), Organization: Contemporary Principles and Practice, Blackwell Publishing.
- Robbins, S. P. and Judge, T. A.(2009), Organizational Behaviour, thirteenth edition, Pearson Prentice-Hall .
- Wilson, F.(2004), Organizational Behaviour and Work: A Critical Introduction, second edition, Oxford University Press.

16.10 MODEL QUESTIONS

1. How would you explain the organisational and personal relationships between a manager and subordinate staff that are created by the process of empowerment?

2. As a departmental manager explain fully how you would attempt to realize the full advantages of delegation without loss of control over subordinate staff.

3. Discuss critically what you see as the likely consequences of a manager exercising close personal supervision as a means of maintaining control and power over the work of subordinate staff.

4. Discuss the main factors that are likely to affect resistance to, and the successful implementation of management control systems.

5. Give your own views on the controversial nature of management control.

6. What do you see as the purposes of management control in work organizations?